

**REPORT ON THE
PRINCE EDWARD ISLAND PROGRAM AND
EXPENDITURE REVIEW COMMISSION**

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June 9, 1987

The Honourable Gilbert R. Clements
Minister of Finance and Chairman of
Treasury Board of the Province of Prince Edward Island
P. O. Box 2000
Charlottetown, P.E.I.

Dear Mr. Clements:

The Prince Edward Island Program and Expenditure Review Commission has
completed its deliberations and hereby submits the report of its findings.

Respectfully submitted:

John M. Mulligan, C.A. - Chairman

G. Douglas Dennis, C.A.

Julie Craib

Harleigh MacKay

I must dissent from portions of the majority report as expressed in the section PROVINCIAL PAY AND BENEFIT LEVELS.

An argument is made that almost all private sector employees are non-union, that unionization is the cause of the differences shown by the comparison, and that such a comparison would be a valid basis for setting fair rates of pay in the public sector. I believe this to be much too simplistic. I do not believe that all the differences in this sample can result from unionization; this is undoubtedly a factor, but I suggest that there are differences in the nature of the employment or the employer that are as important.

For many years, the policy of successive Provincial Governments has been to pay at levels comparable to the "better" employers in the private sector, and to lead the private sector in lower paying jobs. In my opinion, public sector scales have grown somewhat beyond those of many comparable private sector employers. I believe there is reason to examine these levels carefully, to make individual comparisons and to restrain them where indicated. Perhaps Government should re-examine its policy of leading in some areas, but I am not prepared to imply that it should make its pay comparisons with the lowest paying employers instead.

Doug Dennis

I dissent from my colleague's decision on the following recommendations and suggestions contained in this report:

1. references to removal of casual summer employees from union membership;
2. references to union arbitration provisions which would require wages to be compared to private sector non-unionized wages;
3. references to contracting out of work.

It is my opinion that government has an obligation to be a good employer and model for other employers in this province by setting reasonable standards of remuneration and working conditions.

By removing casual summer employees from union membership means that these people would be working side by side with others doing the same work for the same employer but yet not able to expect the same rate of pay.

Because many unionized employees in this province must use the arbitration procedure for the settling of contracts, it would certainly appear to be most unfair to restrict the guidelines for arbitration any more than they are now.

I feel very strongly the government should continue with its responsibility to provide good quality services to the people of this province and to contract out work normally done by provincial employees will only lead to more people being forced on unemployment and could also lead to a deterioration of services.

Julie Crabb

EXECUTIVE SUMMARYRecommendations of the Commission

1. Establish a priority and planning board responsible for:
 - (a) defining the basic level of service and priority of activities the government considers itself responsible for;
 - (b) approval of all policy and program planning of all departments;
 - (c) determining the evaluation criteria and record keeping criteria necessary to develop the information to enable evaluations to be successfully carried out; and
 - (d) making sure there is a balance between the overall priorities of government and the individual priorities of the various departments.
2. Establish clearly that Treasury Board is responsible for:
 - a) Ensuring that departments and agencies conduct their affairs in an efficient and well-managed manner.
 - b) Conducting on-going evaluations of programs in accordance with the planned evaluation criteria.
3. Change the financial information system so as to:
 - a). Reduce the amount of record keeping within the departments and agencies and eliminate unnecessary clerical effort and requirements.
 - b) Enable budgeting to be considered on a program and project basis.
4. Implement a three-year budget plan to enable the government and the public to have some idea of the direction of the finances of the province.
5. Establish a reporting mechanism to report to the public and the Legislature the unit costs of the majority of government services.
6. Establish a system of accounting which will report the actual financial deficit or surplus situation in the provincial balance sheet.
7. Reduce the number of management and casual summer employees that are included in the civil service union.

8. Develop an incentive plan to reward exemplary employees who do successful work.
9. Distribute government overhead as completely as possible to the delivering departments.
10. Develop uniform criteria for establishing user fees or cost sharing arrangements for services provided.
11. Establish a uniform system of invoicing and collecting for user fees or cost recoveries.
12. Require departments to calculate and report unit costs of services provided.

THE COMMISSION

The government of the province decided early in their mandate to establish a commission to review provincial expenditures, policies and programs.

The following people were appointed to the commission:

- John M. Mulligan, C.A., partner in charge of the Charlottetown office of Coopers & Lybrand, Charlottetown, P.E.I., Chairman;
- G. Douglas Dennis, C.A., retired provincial government employee, formerly Deputy Minister of Finance of the Province for 18 years and Deputy Minister of Transportation and Public Works for 2 years, Charlottetown, P.E.I.;
- Julie Crabb, Unit 2 School Board employee, President of CUPE, Local 1770 and Vice-President of the P.E.I. division of CUPE, Miscouche, P.E.I.;
- Harleigh MacKay, graduate of NSAC, potato grower and shipper, Albany, P.E.I.

The commission did not engage any full time staff. The chairman worked at pre-arranged professional rates. Staff resources of Treasury Board and other departments of government were utilized to assist in any manner the commission considered necessary.

After initial meetings and briefings from the Treasury Board officials, the Civil Service Commission, etc., and discussions with various government officials, the commission decided to investigate and review departments by way of a questionnaire process and by utilizing the administrative staff of the various departments and Treasury Board.

The commission held weekly meetings to discuss the findings.

The commission reported unofficially to the Premier, the Minister of Finance and the Treasury Board on various occasions during the period it conducted its deliberations.

The report of the commission is based on its findings which relate solely to the 1986/87 estimates and the time frame that they involved. The commission is aware that various changes have taken place in the policies and priorities of the government since the 1986/87 budget was struck. As well, the provincial audit office and others have made observations and recommendations to government while the commission conducted its deliberations and prepared its report. In order for this report to be a comprehensive one, it therefore must be read in the context of being prepared in the time frame from August 1986 until March 1987.

WHY AN EXPENDITURE REVIEW COMMISSION

As the Minister of Finance stated in his first budget speech, the new government found itself in the position where the net debt of the province had increased substantially. In 1976/77 the net debt was \$91,900,000. In 1986/87, 10 years later, the net debt was budgeted to be \$207,300,000 and the forecasted borrowing for the 1986/87 year was estimated at \$82,000,000.

The effect of this debt on the expenditures of the province is rather dramatic. In 1975/76, the net expenditures required to service the debt amounted to \$11,700,000. In 1986/87, the province's budget included a net provision of \$42,900,000 to service the province's debt. This amounts to \$715 for each of the 60,000 persons in the workforce in December 1986.

Current forecasts result in projections that the 1987/88 budgeted current account deficit will amount to approximately \$31,000,000. Expenditure increases are approximately 2% higher than revenue increases for the past 13 years. Continuing on this course would result in deficits in the area of \$60,000,000 to \$70,000,000 per annum before the end of this government term.

THE MANAGEMENT OF GOVERNMENT

The size and substantial influence of government results in government being an integral part of the lives and livelihood of its citizens. It is therefore incumbent upon government to be well managed.

There is no definition of well managed that can be applied to any organization, be it a private enterprise or a government activity, which would find uniform acceptance. Therefore, it is incumbent upon government to develop its own definition of what constitutes well managed.

The review of the 519 government programs, which encompass expenditures of approximately \$510,000,000, reveals some departments and agencies and activities which, in appearance, are well managed. At the same time, the review revealed other situations in which lack of proper management was evident.

The commission does not consider as its role the individual judgement of management of programs or activities.

GOVERNMENT ORGANIZATION

Because of its size, the Prince Edward Island government could, rather quickly, make fundamental changes in the way it is organized.

Also because of its size, the size of the area it governs and the number of its citizens, the individual pressures on elected government officials and individual government employees is acute. It is, therefore, very difficult for elected officials and government employees to give priority to the long term interests of the province as a whole while having to deal primarily with the concerns and needs of individuals and interest groups. The number and variety of government programs is a clear indication that government has not taken enough care to avoid this result. Citizens have come to depend on government for too many things. Examples exist in almost all departments and agencies of programs that could be provided by the citizens themselves, and it is obvious that if expenditures are to be reduced, government will have to stand back and look at what it is doing and apply more attention to the over-all needs of its citizens rather than concentrating its efforts and its employees' efforts on individualistic needs.

There is no clear evidence to indicate that government has defined the basic priorities and the level of service that it considers to be an acceptable and achievable standard for its citizens. For example:

1. What is an acceptable and affordable highway network for this island and what action and funding is required to maintain and develop it?
2. What is an acceptable level of governmental expenditures for justice and law enforcement for the province?

3. What is an acceptable level of expenditure for conducting the affairs of government and what tax burden will be required for it?
4. What is an acceptable level of expenditure in providing the basic educational needs of the citizens of this province?
5. What is an acceptable level of expenditure for health care for the citizens of this province?
6. What fields of activity should government engage in and what fields are more appropriate for the private sector?

RECOMMENDATIONS

These long-term policy issues must be answered before departmental programs can be effectively evaluated.

GOVERNMENT DECISION MAKING

One of the greatest obstacles to the control of expenditures is the apparent lack of consensus as to what activities the Provincial Government should perform. Groups and individuals continually seek the introduction or expansion of programs in their interests, administrators tend to promote their programs, and Ministers are themselves anxious to help their constituents.

It would appear that the forces counter-balancing these tendencies are weak. The legal limits of provincial government power are too broad to act as practical impediments, nor is there a generally agreed social contract which sets firm parameters. In practice, the government of the day tries to judge what it and the public will find appropriate.

Moreover, it appears that the organization of the government service does not give policymakers enough emphasis on the overall impact of decisions — there is too much concentration on the trees to see the forest clearly.

Ministers are obliged to operate under at least three value systems simultaneously:

1. They represent an electoral district and a party;
2. They head a department which has its own institutional interests and clientele; and,
3. When they come together in Executive Council they are expected to have the interests of the whole island and its government at heart.

It is at Cabinet or Executive Council meetings that the more important decisions of government are made, but most of the time and activity is concerned with individual decisions. Members have background papers which are commented upon by central agency staff and perhaps by Treasury Board or Policy Board, but the subjects themselves are usually those which are raised by and promoted by one of the departmental ministers at the table.

This preoccupation with individual decisions needs to be complemented by a constant overview of their cumulative effect.

We understand that government is now undertaking a process of strategic planning which should enable it to focus attention on some of the more critical medium term issues. Such an approach, if taken seriously, could prove very valuable not only in dealing with those issues, but also in establishing a conceptual basis for the overall direction of government.

This important strategic initiative does not of itself answer our commission's concern at the inadequacy of tactical planning, management, and evaluation. There is not enough consistent and dependable reporting on results: what a program's output is to be, what benefits will flow from it, what true costs are incurred, and what long term impact is likely. There is a need to force both policymakers and staff to deal with the real consequences of government activities, rather than carrying on particular programs because they are assumed to be worthwhile or essential.

This need to define and measure benefits is perhaps particularly important in some social or other programs where benefits are hard to express appropriately in money terms. But if there are real benefits they should be capable of being described in some way and measured against expectations of other alternatives.

It is easy to advocate a strengthening of central agencies but that alone will cause more tension with line departments which already sometimes feel hampered by unneeded restrictions. Such a strengthening should take place only in conjunction with a corresponding change in the role of government departments.

Presently, line departments are the focal points with which the public deals not only on the day to day business of government but also on matters of emerging government policy. Ministers are expected to make new commitments and new policies or, at the very least, to promote them at Cabinet. Some change is necessary if there is to be a significant and long term improvement in the allocation of public funds.

Organizational and procedural changes should be put in place to make line departments concentrate on the provision of service, to establish Policy Board as the agency to recommend what those services should be and to have Treasury Board set out the "management style" of government and monitor the efficiency and evaluate the results of departments. Executive Council would oversee and direct as before but it would find itself dealing more with policy questions raised by Policy Board and, one would hope, less with individual decisions to solve immediate problems.

Such an arrangement should be accompanied by a change in the gathering and sharing of management information within government. Presently there is a diversity of information varying from department to department depending upon the particular needs of each and the wishes of its managers but there is no system whereby any department regularly provides central agencies with data sufficient to permit adequate monitoring of expenses and results being achieved, nor are the agencies set up to deal with such a flow of data for analysis. Without such hard information it must be difficult for Executive Council to maintain control over government activities.

It appears that the main exercise which regularly involves the government in detailed planning is the budget presented to the legislature. But there is a preoccupation in the budget process with the "status quo" requirements which detracts from the effectiveness of the whole process. Cabinet tends to consider the cost of continuing the same service, order departments to make certain dollar cuts and report the effects, reconsider the results, and decide on "new initiatives" with whatever remains.

The budget allocations thus decided on have not all been subjected to the same scrutiny -- more important, they have not been granted on condition that specific levels of service be provided and that certain measurable benefits result from that service. During the year, Treasury Board prepares quarterly reports for cabinet based on departmental summaries, but here again the focus is on spending, not on results.

Of course, a careful study should precede any change in the structure and functions of departments and agencies.

The Commission's concern is to have one group within government who are responsible to present a coherent and comprehensive view of what the government is doing, how effective its activities are and what the overall short and long-term impacts of this aggregation are expected to be.

The central agencies will need to have very competent professional staff with expertise and abilities to evaluate and give advice on a wide-ranging and difficult set of subjects.

It is envisioned that departments would have enough depth to put together operating plans and do project management, but they would need less planning and administrative expertise.

The Central Policy and Planning Group and Treasury Board would have the responsibility for the system planning of the management information system necessary for each program to enable the evaluation and reporting of programs to be conducted in a consistent and accurate manner.

Under this arrangement, it is imperative that Policy Board not be perceived as a final decision forum so that all ideas receive adequate consideration by Policy Board and then the need to take concerns directly to Executive Council is eliminated.

RECOMMENDATIONS

1. Policy Board should have as its main functions the gathering, evaluating, and organizing of information about the activities of all government departments and agencies.
2. Policy Board should become the central planning agency of government. Cabinet should be able to look to Policy Board to develop ideas to review departmental plans both for content and to ensure they are complete. A departmental action plan should include:
 - (a) a detailed description of the program;
 - (b) details of the system of delivery of the program;
 - (c) Details of the objectives of the plan, how the program should be evaluated, including details of the record keeping necessary to provide integrity to the information to be used in evaluating the effectiveness of program.

3. Treasury Board would continue to perform most of its present functions. It would continue to be the government "employer", the final authority on administrative policy, the cabinet sub-committee on money matters, the preparer of estimates for the Legislature.
4. Treasury Board should take a much more active role in promoting efficiency and a common management style throughout government. In particular there should be more, and more comprehensive, reporting by departments on both spending (i.e. full costs) and program output and results. Treasury Board should be responsible for the evaluation of programs.
5. In the budget process, revenue and expenditure should be considered on a program and project basis as well as, or if necessary instead of, the present breakdown by administrative unit and object code. Where feasible, overhead expenses should be allocated to programs so that true costs are shown.
6. Budget submissions by departments should state in quantified form, for a three year period, what output there will be from the program expenditures they request, and what effects this will have on the beneficiaries of the program. Success in reducing expenditures probably depends more on doing these well than on any other factor.
7. Status Quo calculations should have less prominence in the budget process. All programs and projects should be subjected to substantially the same scrutiny.
8. A Budget Committee comprised of the Premier, the Chairman of the Policy Board, the Chairman of Treasury Board (and the Minister of Finance if not holding one of those offices) could deal with the determination of the budget. The whole cabinet could be consulted on a next-to-final draft and on major policy issues.

9. The estimates document presented to the Legislature should cover the three year period, though only one year would be voted on in committee, and the estimates should also contain in some detail the program output and benefit information mentioned previously.

The purpose of this is to force all concerned to be publicly committed to a series of actions and to recognizable consequences of those actions.

10. In conjunction with these changes, a change in the role of departments is envisaged. Ministers and the civil service should understand quite explicitly that line departments and crown corporations will not continue to have the preeminent role in developing and promoting policy.

They should certainly be consulted very closely, and would undoubtedly make many recommendations; but the function of putting together detail proposals for initiatives of any substance would rest with policy board, and it would be largely their memoranda which would reach the cabinet table. Ministers would still be able to present the views of their departments as before, but would be much less able to control the agenda.

11. This places heavy responsibility on central agency staff and ministers. There would have to be much closer and more effective liaison with departmental staff. There is greater danger that decisions might not take into account factors appreciated only by those working in the field. There could be an appearance that there is a large and unwieldy planning staff. -

These risks should be accepted in order to gain central control over policy making. The overall needs of the province should be taken into account at least implicitly in all decisions to expand or contract particular activities.

GOVERNMENT REPORTING

At the present time, government reports to its constituents by way of a legislative assembly in which elected representatives examine legislation, including revenue measures, expenditure accounts and debate with each other the relative merits of various government activities. As well, many departments of government prepare annual reports in which they outline their activities, usually in a form complementary to the expenditures of their various sections or departments.

The annual speech from the throne outlines government's objectives and how they hope to accomplish those objectives. There is no comprehensive report prepared by the government, or anyone else, on the success or failure of government programs. In fact, within government there is no formalized forum in which to evaluate in a consistent manner the effectiveness of government activities.

In Prince Edward Island in 1986/87, provincial government expenditures will amount to approximately \$4,250 for each man, woman and child. Assuming a minimum wage of \$4.00 per hour and a work force of 60,000, this amounts to 2,125 hours of work at the minimum wage level for every employed person in the province. Assuming that half of these funds come from Canada, and that is approximately true, the question arises, where does Canada get its funds? The answer is that Prince Edward Islanders pay taxes to Canada as well as to the province.

The above illustrates how important it is for government to decide what the level of service its citizens need and can afford. If the level of services that is needed, in the context of the Canadian standard is one level and in

the context of what is affordable is another level, then an excellent case should be able to be made to Canada to assist the province in bringing the level up to the acceptable Canadian standard.

In order to accomplish the evaluation and reporting that is necessary to communicate the needs properly to Canada and to the citizens of the province in relation to the taxation levels that are necessary, government is urged to restructure its organization and reporting systems to better enable itself and its constituents to evaluate their government's performance.

The government annually publishes the public accounts and for the year ending March 31, 1986, the public accounts are a book of 375 pages of detailed financial information on revenue and expenditures. However, the public accounts do not disclose:

A. The cost of government policies?

As an example, incentives for the hog industry totalling \$4,087,200 annually are shown in 13 different areas in both the budget document and the public accounts.

B. How much the government spends to educate a child?

According the Department of Education, the annual cost per student is \$3,300 in the foundation program grades 1 to 12 and the high school vocational student cost is \$5,361 per student.

- C. How much the government spends each year, per student, to provide an education opportunity to Holland College or U.P.E.I.?

According to the Department of Education, the cost of education in Holland College amounts to \$5,900 per student, and the cost of education at U.P.E.I. is \$5,547 per student. University student aid costs on average \$2,300 per eligible student.

- D. How much it costs to stay in one of the Province's Hospitals per day?

According to the Hospital Service Commission, the per diem rates for 1986/87 are as follows:

1. Queen Elizabeth Hospital - \$325.00;
2. Prince County Hospital - \$235.00;
3. Kings County Memorial Hospital - \$170.00;
4. Alberton Hospital - \$154.00;
5. O'Leary Hospital - \$163.00;
6. Souris Hospital - \$164.00;
7. Stewart Memorial Hospital - \$170.00.

- E. How much it costs to stay in one of the Province's addiction-detoxification or rehabilitation centres for a day?

According to Addiction Services, the per diem costs for detoxification units for 1985/86 were:

1. Queens County - \$60.90;
2. Prince County - \$88.50;
3. Kings County - \$156.19.

- F. How much does it cost per day to retain a person in the correctional institutes of the Island?

According to the Department of Justice, it costs \$86.75 per day.

- G. How much does it cost the Province to provide sub-division development planning?

According the Department of Community and Cultural Affairs, they have 350 applications and 700 enquiries at a cost of \$77.52 each.

- H. How much does it cost for emergency home repairs for seniors?

According to the P.E.I. Housing Corporation, it costs \$868.00 per grant.

- I. How much does it cost to operate the Brookvale Ski Park?

According to the Department of Tourism and Parks, the cost net of revenue, is \$6.27 per visitor.

- J. How much does it cost to provide complete marketing plans for businesses?

According to the Department of Industry, it cost \$80,385.00 per project.

- K. How much does it cost the Province to provide labour consultation services?

According to the Department of Labour, it cost \$2,637.00 per case.

Surely this kind of reporting is what is needed to inform the public on the true cost of the services provided by government. As well, this kind of reporting would enable citizens to realize the effect of add-ons to programs and the cost of additional new initiatives of government.

This kind of reporting would also encourage efficiency in the delivery of services and competition to the public sector from the private sector if they believe they could provide the service at a reduced cost.

Recommendation

The establishment of a study group to decide on how best to prepare a management information report as part of its annual reporting to the Legislature in conjunction with the public accounts and other public information.

GOVERNMENT ACTIVITIES

In order for government to reduce expenditures, government has first to decide what activities it is going to provide.

Government activities could be broken down into three main categories:

1. Services which are traditionally provided only by government. These include public works (i.e. roads, buildings, bridges, etc.), justice, government administration and, because we have debt, interest charges and debt principal repayments. These expenditures account for approximately \$140,000,000 of expenditures.
2. Services in which government at some level has traditionally been involved, but which are to some extent provided by private sector agencies, or funded partially by the private sector. There may be less need for government to be totally responsible for these services. These services are health, social services and education. These expenditures total approximately \$280,000,000.
3. The balance of government expenditures for 1986/87 amount to approximately \$90,000,000.

It is obvious that the demand on Treasury Board from departments and crown corporations and agencies for program funds is substantial. It is equally obvious, when one examines the federal government involvement in provincial activities, that the demand for provincial spending is enhanced by federal cost-shared programs.

The federal government contributed approximately \$244,000,000, according to the provincial government revenue estimates, \$190,000,000 by way of equalization and established programs financing. Under the Canadian Assistance Plan, the health services financing and minority and second language funding, it

contributed \$28,000,000. Approximately \$900,000 is received for transportation, justice, etc., and the balance of \$25,000,000 is involved in the third category expenditures of the departments, corporations and agencies of the province.

Recommendation

The government establish a study group to decide on how best to prioritize government expenditures and classify them so that government reporting can reflect the amount of discretionary spending the provincial government is involved in.

COMPOSITION OF EXPENDITURES

Appendix F contains a breakdown of the expenditures of the province by object and a comparison between 1980/81 and 1985/86 and 1987/88 and, as you can see, salaries and fees account for approximately 48.2% of the province's expenditures in 1986/87 as compared to 46.2% in 1980/81, 5 years earlier. If one excludes debt charges from total expenditures, this comparison is: 1986/87 - 57.1% to 1980/81 - 51.9%, an increase of 5.2% over 7 years.

When expenditures are analyzed in more detail, it is obvious that salaries are a greater proportion of expenditures in some departments than in others.

If government expenditures are to be reduced significantly, the number of government programmes will have to be reduced and, as a result, the number of full-time, part-time and casual employees of the government will decline.

In a provincial work force which encompasses some 60,000 gainfully employed individuals, the provincial government is responsible for the payroll of 3,100 to 5,000 individuals. The political and economic effects on the province of reducing the number of government jobs available is substantial. However, the alternatives are unattractive. They are either deficit financing, additional taxation.

How can government reduce the number of programs it delivers? The obvious answer is to discontinue those programs which are considered less effective, useful and essential. Various other alternatives also come to mind such as transferring certain group and community services to local government responsibility and associated taxation, turning certain services over to the private sector and contracting other services out to the private sector. It

should be remembered that if the jobs that are discontinued on the provincial government level are providing a service the citizens need as well as want, then private sector initiative will absorb those jobs. However, if the jobs are for services the public may like and some may want but feel they can't afford, then the jobs will be lost to the provincial economy.

PROVINCIAL EMPLOYEE PAY AND BENEFIT LEVELS

A test of 977 of the full-time civil service positions compared to the non-unionized P.E.I. private sector reveals that the government pay rates result in an annual payroll cost for these positions which is 55.8% higher than the payroll costs would be at non-unionized private sector wage rates. A similar test of 27 of the higher paid positions revealed government pay rates which would result in 24.3% higher costs. The pay differences encountered ranged from a high of 107% to 0%.

Existing provincial legislation/regulations, including compulsory and binding arbitration provisions state (for the most part) that arbitrators may make comparisons of wage rates with other union wage rates, other Atlantic provincial government's wage rates and comparable private sector jobs. They do not include a requirement for comparison with the wage rates of comparable non-unionized employees resident on Prince Edward Island.

According to the Department of Labour, the labour force on P.E.I. is 60,000, and the number of unionized employees on P.E.I. is 10,000. 7,000 of the unionized employees work for the public sector. It is therefore obvious that the majority of P.E.I. employees are in the non-unionized sector.

Any test or comparison of this nature, regardless how carefully carried out, is subject to error. The findings, however, indicate clearly that the province (for the most part) pays more to its employees than the province's citizens pay their employees.

Because of the number of individuals employed by the province (in August 1986, 4,804), pay and benefit plans that are not compatible with the pay and benefit standards of the rest of the working citizens of the island is inequitable and

divisive. The absence of compatibility in this area means that the agent of the people (the government) is paying some wage rates above what the majority of citizens are able to obtain. This increases the pressure individuals and groups exert upon officials to obtain the jobs available in the provincial government sector. As well, government activities tend to be protected by government employees and ministers because of the possible loss of the better paying government positions.

The provincial civil service is comprised of, with few exceptions, a competent, hardworking group of people. This commission does not want anything in this report to be interpreted as reflecting any other view.

Recommendation

1. Remove all senior management personnel from membership in the same union as the employees they supervise and manage.
2. Remove casual seasonal employees from membership in the union so that the pay rates to these employees can be more compatible with private sector remuneration rates.
3. Develop an incentive plan to reward exemplary employees who do successful work.
4. Where existing legislation/regulations provide for a process whereby the parties to a collective agreement are required to submit interest disputes to compulsory and binding arbitration, the legislation/regulations be amended to require arbitration boards or single arbitrators (as the case may be) to consider non-union rates of pay and benefits for comparable jobs in the private sector in Prince Edward Island as one of the factors considered in arriving at salary and benefit awards.

GOVERNMENT OVERHEAD

Included within the department expenditures are a list of items (see page 29) which can be classed as overhead expenditures. Overhead costs are that part of the expenditures for carrying on activities which are not directly related to a particular program.

These costs are not included in any department or service costs referred to in this report.

In order for departments to determine the true cost of their operations and, therefore, be able to determine the true cost of delivery of services, they need to include the proper amount of overhead in their expenditures.

The transfer of these expenditures to department accounts should not be difficult in most cases. For example:

A rental rate for various buildings owned or leased could be charged to the various departments according to the space they utilize	7,818,000 <u>2,191,400</u>	10,009,400
The employee benefits could be distributed in the payroll process as U.I., C.P.P, etc. are distributed		8,154,300
Computer services: They already have a program to cost their services, therefore invoicing is all that is required.		2,188,900
The civil service commission could be funded by a department charge based on payroll costs		777,700
The comprehensive audit costs of the auditor general department, the government insurance program costs and the P.E.I. Crown Building expenditures could be all charged to the appropriate departments		1,718,500
The balance of the expenditures include items which could be charged directly to departmental users in accordance with the amount of their use. However, in order to simplify the process and avoid substantial paper work, a flat dollar percentage of overhead in the order of 1% of ordinary expenditure, which when debt charges are excluded would result in \$4,600,000 of absorption would result in departments having accurate cost information		<u>4,534,100</u>

TOTAL

\$ 27,382,900

As well as the above items, a major overhead which is not considered in some departmental costs is debt charges. In some programs such as highways, etc. debt charges are a major cost.

It is understood that the suggested process would involve doubling expenditures on a total basis and increasing revenues by a like amount. This practice is already followed with debt charges of hospitals, etc. It is essential that departments reflect the accurate costs of conducting their affairs. They need the information to:

- A. Evaluate their performance;
- B. Compare with private sector costs;
- C. To understand how equitable they are in establishing user fees;
- D. To enable them to evaluate how equitable they are treating the people they provide service to;
- E. To know and fully appreciate how much the service they are performing is costing the public purse.

Recommendation

Government should revamp its accounting system to include overhead as a factor in department and thus program expenditures.

GOVERNMENT OVERHEAD

Transportation & Public Works

Building Operations and Maintenance	7,818,000	
Government Insurance Program	670,700	
Accommodation Leasing	2,191,400	
Mail Service	712,600	
Printing	946,000	
Other Services (telex, information, audio, etc.)	<u>575,900</u>	12,914,600
P.E.I. Crown Building		597,800
Computer Services		2,188,900
Employee Benefits (includes salary adjustment \$2,642,000)		8,154,300
Auditor General		852,100
Civil Service Commission		777,700
General Government:		
Miscellaneous General	126,200	
Labour Relations	<u>12,500</u>	138,700
Treasury Board		443,800
Accounting Services		855,600
Purchasing		166,100
Cash and Investment Management		78,400
Economics, Statistics & Fiscal Analysis		<u>214,900</u>
TOTAL		\$ <u>27,382,900</u>

GOVERNMENT ACCOUNTING

The statement of financial position of the province on a consolidated fund basis, including crown corporations and other provincial agencies, does not determine the provincial financial deficit or surplus. What is shown is the net debt of the province. This failure of governmental accounting to determine whether or not there is a net overall financial deficit or surplus is a contributing factor to deficit financing. The public hears all kinds of talk about deficits but does not understand and is not shown what the real situation is.

Even though a province may have a current account deficit for the year, it may not end up in a net deficit position. Capital expenditures for assets that have an enduring life do not create a financial problem unless more fixed assets are acquired than can be paid for out of annual revenue. However, if more assets are acquired than annual revenue can afford to support, given that the business of running a government has to continue on a current account basis, a financial problem is created. Even if the capital assets are provided free such as roads to resources (as in the 50's) a problem may be created. P.E.I. now has more paved roads than it appears it can afford to maintain in reasonable condition.

It is, therefore, important to clearly inform the citizens on the financial position of the province in a clear and understandable manner. The annual balance sheet does not reflect any long-term or capital assets and does not reflect the current account accumulated deficits or surpluses.

Public accounts for the year ending March 31, 1986, reflect the net debt of the province is \$257,346,531. The schedule of debt includes sinking fund provisions which reflect provision of sinking funds of some \$16,000,965 over

and above the outstanding debt which the sinking fund provision applies to. These amounts have not been transferred to what is called "Market Contingency Fund" of \$13,681,222, therefore the accurate market contingency fund amount is approximately \$30,000,000.

When this situation is examined more closely, one discovers that many of the individual issue sinking funds have surpluses while some later year issues have sinking fund deficiencies. Some of the deficiencies appear deliberate as if government planned to refinance the balance at maturity. When provisions for the outstanding issues are projected to maturity, using a 10% rate of return, less two issues where refinancing appears obvious, the projected overall sinking fund surplus is \$36,000,000.

This is an example where the policies and actual practices of accounting are failing to properly inform the public of the true situation regarding the provinces finances. In reality, what is happening is that the provisions for the sinking fund and the interest expense for the years when these surpluses have accumulated have been overstated in the public accounts. Unless changes are made in future years when the sinking fund provisions for the new issues which are being under-provided for take over prominence in the debt structure of the province, the annual charge to the current accounts of the province for carrying costs on the debt will be understated.

In March 1987, the sinking fund contributions and refinancing for the next five years is projected to be:

1987	\$ 9,908,700	
1988	\$ 34,423,500	(includes \$23,500,000 of refinancing which was originally borrowed at 17%)
1989	\$ 9,519,100	
1990	\$ 9,241,600	
1991	\$ 8,842,700	

In the final analysis, the province is responsible for the debt of the agencies, boards and organizations that it creates. These include the school boards, the hospital boards, etc. The public accounts of the province in the all funds consolidated balance sheet do not include funds of organizations like the Charlottetown Area Development Corporation or the Summerside Waterfront Corporation.

Recommendations

1. Government develops accounting policies to record the cost and retirement of all fixed assets on the all funds balance sheet of the province.
2. Government adopt a policy of annually taking into current account the surplus or deficit of the debt sinking funds.

USER FEES

The province charges fees for the use of certain services. In community services they charge for electrical inspection and recover 54% of the cost of that activity; however, at the same time, they charge for plumbing inspections and recover 9% of the cost. In the community service laboratory \$3,280 of the total \$153,000 of costs are recovered.

In the Department of Justice, the registry office recovers 72% of its costs while the estates division recoveries are 296% of their total costs. In the corporation and security section, fees are 273% of the costs.

In the Department of Health and Social Services, fees are 41.75% of the vital statistics division costs.

In the Department of Tourism & Parks user fees recover 24% of the total costs of \$2,356,998.

In the Department of Labor, fees only account for 9.3% of the boiler inspection costs.

In the Department of Agriculture there are a number of situations where user fees are employed and their recoveries vary substantially from one division to another and from one program to another.

It seems that some sections of departments of government have been very successful in recovering fees for their services. Justice is an example while other departments have completely ignored this possibility.

Most people have no objection to paying a reasonable fee for services received. However, in the questionnaire replies we received, there were all kinds of excuses provided to reject the concept of user payments. Most of the excuses were based on the fact that the service would not be provided to those sections of our society who have lower income levels. These arguments are without substance as other government programs would obviously provide the funding if the need was established.

It is incumbent upon government to treat its citizens with fairness and equity when establishing user fees. The provision of services to citizens should be in a manner which enables the user of services to determine the degree of fairness and equity.

Unless accurate costing records of services provided and accurate user information are kept by government it is impossible to determine whether or not individuals are receiving more or less than their fair share of the benefit of government programs that are available.

In certain instances, various programs within government are cost shared. For example, the home repair program to senior citizens, the farm-a-care program of the Department of Industry, the veterinary assistance program of the Department of Agriculture, the lime subsidy program of the Department of Agriculture, the water and sewage program of community services, etc. These programs are, in a sense, user pay type programs and once again fairness and equity are important. Keeping accurate costing and distribution information to determine whether or not individual citizens are receiving more or less than their fair share of benefits under these particular programs is important.

As the attached schedule of user fees reveals, the province collects \$8,489,480 under user fees but as the revenue estimates reflect, there is additional non-tax revenues excluding, the net income of the Liquor Control Act and the lottery revenue, of an additional \$9,162,000, of miscellaneous government revenues.

It would appear that these numerous items of revenue are collected in a variety of ways by various departments. The invoicing and collecting of these revenues, controlled by the revenue section of the Department of Finance, would establish more satisfactory control over revenues. At the same time, this process would eliminate the need for departments to have individual systems to control their individual revenues.

Examples of the items referred to above are course fees, charges for snow removal of farm driveways, payments by those who can afford nursing service or rehabilitation in the province's addiction centres.

Recommendation

1. The government should adopt a policy and establish general guidelines for the application of user fees.
2. The government should establish guidelines and policies to be used in cost sharing arrangements for programs.
3. Government should establish a system of invoicing and collecting for services provided to citizens which is applied uniformly across all departments and agencies of government.

	Total Cost	Programs Where User pays a portion of cost	Programs where there is a department recovery	Recovery Range		Recoveries	Programs where fees are Suggested
				High	Low		
Transportation	41,384,500	1,648,553	3,238,500	64.30%	2.1%	575,000	-
Justice	<u>11,355,300</u>	<u>1,093,700</u>	<u>763,800</u>	40.00%	42.0%	<u>940,400</u>	-
	<u>52,739,800</u>	<u>2,742,253</u>	<u>4,002,300</u>			<u>1,515,400</u>	-
Education	116,339,700	25,576,400	2,116,800	12.50%	12.0%	205,200	1,061,600
Hospital & Health Services	88,970,800	32,130,900	29,205,900	41.75%	.003%	5,752,100	605,000
Addiction Services	2,924,200	383,900	383,900	35.00%	35.0%	13,500	-
Health & Social Services	<u>71,624,800</u>	<u>2,109,400</u>	-	-	-	-	-
	<u>279,859,500</u>	<u>60,200,600</u>	<u>31,706,600</u>			<u>5,970,800</u>	<u>1,666,600</u>
Agriculture	23,193,900	3,724,021	558,647	62.00%	3.0%	204,750	1,349,722
Community & Cultural Affairs	11,721,900	1,652,800	978,000	54.00%	2.1%	189,780	1,309,700
Tourism & Parks	6,823,000	2,412,688	2,356,998	28.70%	17.1%	567,000	2,126,890
Industry	9,823,500	1,636,367	72,022	28.00%	28.0%	20,000	327,989
Energy & Forestry	14,526,400	785,900	56,000	7.00%	7.0%	3,750	340,300
Fisheries	2,534,300	1,150,500	40,000	12.50%	12.5%	5,000	30,000
Labour	743,200	140,300	140,300	9.30%	9.3%	13,000	115,600
Finance	<u>5,981,900</u>	-	-	-	-	-	-
	<u>75,348,100</u>	<u>7,778,555</u>	<u>4,201,967</u>			<u>1,003,280</u>	<u>5,600,201</u>
P.E.I. Development Agency	7,599,200	4,348,500	-	-	-	-	1,030,000
P.E.I. Energy	902,200	433,900	-	-	-	-	-
P.E.I. Housing	2,779,100	2,265,900	-	-	-	-	1,730,600
Land Development	560,800	-	-	-	-	-	-
P.E.I. Lending Authority	944,200	944,200	-	-	-	-	-
P.E.I. Crown Buildings	597,800	597,800	-	-	-	-	-
P.E.I. Grain Elevators	756,600	756,600	-	-	-	-	-
Land Use Commission	93,100	-	-	-	-	-	-
Georgetown Shipyards	<u>764,000</u>	<u>764,000</u>	-	-	-	-	-
	<u>14,997,000</u>	<u>10,110,900</u>	-			-	<u>2,760,600</u>
TOTAL	<u>422,944,400</u>	<u>80,832,308</u>	<u>39,910,867</u>			<u>8,489,480</u>	<u>10,027,401</u>

SUPPLEMENTARY ESTIMATES

Supplementary estimates, or special warrants as they are sometimes called, are a major factor in government expenditures. A summary of the last three years supplementary estimates is as follows:

SUPPLEMENTARY ESTIMATES

	1985/86		
	New Funding Programs	Over-run to Existing Programs	Total Special Warrants
Total Current	17,579,771	15,266,164	32,845,935
Total Capital	<u>378,300</u>	<u>3,955,600</u>	<u>4,333,900</u>
TOTAL CAPITAL & CURRENT	<u>17,958,071</u>	<u>19,221,764</u>	<u>37,179,835</u>
TOTAL %	<u>48%</u>	<u>52%</u>	
	1984/85		
Total Current	6,533,418	5,168,842	11,702,260
Total Capital	<u>112,651</u>	<u>3,243,628</u>	<u>3,356,279</u>
TOTAL CAPITAL & CURRENT	<u>6,646,069</u>	<u>8,412,470</u>	<u>15,058,539</u>
TOTAL %	<u>44%</u>	<u>56%</u>	
	1983/84		
Total Current	6,733,886	9,369,108	16,102,994
Total Capital	<u>-</u>	<u>310,000</u>	<u>310,000</u>
TOTAL CAPITAL & CURRENT	<u>6,733,886</u>	<u>9,679,108</u>	<u>16,412,994</u>
TOTAL %	<u>41%</u>	<u>59%</u>	

As is obvious from the above summary, new funding programs are an increasing factor of the supplementary estimates. This is a further indication of the need for more complete and effective long term planning as well as better control over the budgeting process on a long term basis to avoid the over-runs to existing programs.

FEDERAL GOVERNMENT CONTRIBUTION TO EXPENDITURES

Attached as Appendix J is a summary of the revenues derived as a result of cost sharing with the federal government. The schedule shows \$53,648,300 of cost sharing. The balance of federal government revenues are equalization and other funding not directly related to expenditures - \$189,968,000, arriving at a grand total of \$243,616,300, projected to be received from the federal government.

It is often suggested that more than 50% of the province's revenues are derived from Ottawa. This revenue from Ottawa is often used to justify expenditures "after all it only costs us 50¢ on the dollar". As can be seen by a review of Appendix G, the above comment is inappropriate. The majority of federal contributions to direct spending are: The Canada Assistance Plan which funds 50% of the cost of specific social assistance, the Department of Agriculture funding this year includes \$6,000,000 for the potato diversion program. Of the Department of Industry funding, \$4,600,000 is a Canada Employment funding agreement. The Department of Energy funding includes \$7,300,000 being received from the income tax electricity refund and the energy rebate program.

The non-specific funding received in the amount of \$189,968,000 is funding the provincial government can expend in whatever manner they so choose. Even though the spending of these funds may be discretionary in theory, in actual practice prior governments have, by way of expenditure patterns and establishing programs, locked the existing and future governments into expenditure patterns which the citizens have become accustomed to and which will be very difficult to curtail or substantially reduce.

DEPARTMENTAL EXPENDITURES

In an attempt to find out what the departments do, the commission developed a questionnaire, reflected as Appendix A in this report. The questionnaire asked the departments to provide for each program:

1. A brief description of the program. No definition of program was provided, therefore, it was up to each department to determine what they considered a program to be.
2. Classification. This section of the questionnaire was developed to classify the programs identified into:
 - a. Direct programs. That is, programs that directed payments to individuals.
 - b. Indirect programs. That is, programs where the payments were not directed to the individual, but where the individual was fully aware of the actual cost of the service being provided to him.
 - c. Other programs. Programs carried on in a manner in which the individual being provided with the service was unaware of the cost of that service.

Under Appendix B it can be seen that there are very few direct and indirect programs. They account for only \$73,000,000 of the total \$510,000,000 expenditures.

It is obvious from this classification summary that the services provided by government to individuals are primarily provided in a manner which results in the individual being completely unaware of the cost of the services. It follows from the above that the majority of the public are unaware of the financial demands they are placing on government when they request services, and, therefore, individuals have no personal feeling of responsibility for government expenditures.

3. The third section of the questionnaire was designed to identify the primary reason for the programs. This area of the questionnaire turned out to be somewhat inconclusive as the results reflected on Appendix C indicate. However, the final totals show that the primary activities of government, in the eyes of the various departments, is prevention. Nearly two-thirds of all expenditures are classified in that category.
4. The fourth area of the questionnaire attempted to find the direct purpose of the program. Whether the program was for the common good, i.e. available to everyone in the province or the total industry, etc., or whether it was a community or individual group that benefited from the program.

As Appendix D indicates, the majority of programs were considered by the departments to be for the common good.

5. History. This section of the questionnaire attempted to determine how the programs got started and by whom. As indicated in Appendix D, the results of the questionnaire indicate that the majority of programs were started by departmental initiative, however, some \$91,000,000 worth of program's expenditures were identified as being initiated by federal programs or policies. Only \$72,000,000 of the \$510,000,000 total expenditures were identified as programs that the public requested.

The results of this section of the questionnaire indicate that government expenditures for the most part are the result of government initiative, not citizen's demands.

6. The sixth area of the questionnaire asked the departments to determine the total cost of each program and, when possible, the unit cost of services delivered.

This area of the questionnaire provided the most surprises. First, on a departmental basis, the amount of statistical information available is substantial. Secondly, the amount of administration manpower available in the departments and the high quality of that manpower was obvious. Third, the lack of a uniform way of costing programs on a unit of service basis was obvious. Fourth, the lack of a uniform method of applying overhead and administration costs to programs on a departmental basis as well as on a overall government basis was very evident. Fifth, the obvious unconcern by some departments with unit costs was also evident.

7. The seventh section of the questionnaire asked for a brief detailed description of the method of delivery of programs. For the most part this section was completed in a satisfactory manner.
8. The eighth section of the questionnaire was designed to have the department preparers provide any suggestions they might have regarding:
 - a. Delivery
 - b. User payments
 - c. Alternatives to the present program
 - d. Federal programs available in the designated program area
 - e. The specific effects of cancellation of the program
 - f. Other items the preparer might want to point out

Some departments took this area of the questionnaire seriously and made comments on an extensive basis while other departments or sections did not see fit to make any comments.

Probably the most interesting comments the questionnaire evoked were in the section on specific effects of cancellation of the program. The comments in this section varied from nothing, which in itself is revealing, to a variety of motherhood statements which did not spell out any specific effects if the program was cancelled. It is very revealing

to read the departmental answers to these questions when you consider that the majority of the programs were initiated by the departments. It is obvious that there is no planning done to establish an evaluation process within the departments when expenditures are undertaken. In most cases, there is no documentation of the planned effect expected from programs. What effects would occur if a program was cancelled is not a readily answerable question.

9. The ninth and final section of the questionnaire was to indicate the legislative authority for the program. For the most part, this section was filled out satisfactorily.

The Commission wants to thank the departmental deputies and their staff for the cooperation received in replying to the questionnaire. We hope the departments found the exercise thought provoking and useful.

Recommendations

Expenditure programs should not be approved unless they are accompanied by:

- (a) A budget which includes the unit cost of delivery of the particular service provided;
- (b) Pre-determined, quantitative evaluation criteria;
- (c) Details of what record keeping is necessary to record the expenditures and keep track of the information necessary to evaluate the program.

Government should develop a uniform methodology for departments to distribute their overhead to the programs they deliver.

Government should require departments annually to cost on a unit of service basis, all the programs that they deliver.

DEPARTMENT OF TRANSPORTATION & PUBLIC WORKS - \$41,384,500

This department carries on 33 programs. There are three main program areas:

1. Highway construction and maintenance
2. Building Section .
3. Vehicle registration and highway safety

This department provides the government with a substantial number of services as listed on page 29 as government overhead. \$13,512,400 of expenditures are considered government overhead, leaving a balance of \$27,872,100 of expenditures for the departments primary activities.

The department looks after approximately 3,800 kilometres of paved road and approximately 1,550 kilometres of unpaved roads. For example, according to the department questionnaire, in snow removal they plow with their own equipment 2,400 kilometres of road at \$2,500 per km and contract the plowing of an additional 2,700 km at \$2,000 per km.

This department employs a substantial number of casual and part time workers who are paid unionized labour rates. The department suggests that funds could be saved in various areas by contracting certain work. At the same time, the department suggests that it needs to have the flexibility to do certain work and, therefore, needs at all times to keep its equipment base intact.

The department in 1986 and 1987 is budgeting to spend \$28,131,000 on capital projects.

The review of the department's programs has highlighted various areas where more attention could be directed:

- A. The highway safety division section has suggested that a closer review of their programs is necessary to determine appropriate user fees;
- B. Because of the cost of doing work in-house, this department includes various areas where public tendering of the work could possibly reduce costs. Areas suggested by the review are: road-side maintenance, janitorial services, and some of the pavement maintenance.
- C. The department is suggesting that the ice control program should use more automatic spreading equipment and reduce the amount of manual labour, thereby reducing costs and liability insurance requirements.
- D. The transportation division operates the Island Transit Service at a substantial loss each year. The buses were acquired through a federal program which no longer exists. Unless the service can increase its revenues substantially, certain parts of it should be discontinued, and with the aging of the buses, it may well be that the total service should be discontinued or turned over to the private sector.

DEPARTMENT OF JUSTICE - \$11,355,300

The Department of Justice expenditures have been relatively constant over the last three years, except for a substantial increase which has taken place in the "probation and family courts services" section which increased from \$623,800 in 1985 to \$1,795,000 in 1986/87.

The areas involved in these expenditures are adult and youth probation and family counselling. The major portion of the increase is in the young offenders area - a new program that cost \$133,000 in 1984/85, \$955,000 in 1985/86 and is projected to cost \$1,216,000 in 1986/87.

According to the program review of this department, youth custody was costing the province \$127.91 per day for services purchased from Nova Scotia and \$115.00 per day for services purchased from New Brunswick. The 1986/87 budget provisions expect the cost for the youth custody services at Summerside to be \$123.00 per day.

AUDITOR GENERAL - \$852,100

The Auditor General's budget is reviewed by the Legislative Audit Committee, and therefore does not come under the review of Treasury Board or other sections of government.

The Auditor General, however, did respond to the Commission's review questionnaire. In that response, the Auditor General did not provide the Commission with any unit costing of its services. Published reports indicate that the office of the Auditor General of Canada is utilizing the costing of its services to determine the economic reasonableness of the services it is providing in the comprehensive auditing and value for money areas of its work.

It is therefore recommended that the Prince Edward Island Auditor General office should cost its services, particularly the comprehensive auditing portion, and the Legislature and departments and agencies should be aware of the cost of the comprehensive audits and other special work conducted.

CIVIL SERVICE COMMISSION - \$777,700

The Civil Service Commission is responsible for the staffing, classification, staff relations and personnel functions of government.

The staffing section interviewed 2,130 candidates and hired 412 at a cost of \$625.00 per person hired, or \$121.00 per person interviewed.

The classification section is responsible for the classification of 3,300 positions, it is suggested that more work is necessary to ensure that each classification is in accordance with the actual work the individual is doing.

Staff relations and personnel carry out educational courses and keep personnel information and records.

TREASURY BOARD - \$463,800

Treasury Board functions as the arm of government that processes all budgetary requests and supplementary estimate requests for the various departments, agencies, and any other activities of government.

Treasury Board has not functioned as the management specialist of government leaving the responsibility for good management to the departments as recommendation #4 on page 14 indicates. It is recommended that Treasury Board should take a more active role in ensuring efficiency and a common management style throughout government. The function of budgetary control and expenditure approval is very important; however, this should be continued while ensuring that management is efficient and effective, and providing proper evaluation of spending programs.

COUNCIL OF MARITIME PREMIERS - \$602,700

The Province contributes in six areas as follows:

1. Maritime Provinces Higher Education Commission - \$40,800
2. Land Registration and Information Services - \$372,400
3. Maritime Municipal Training and Development Board - \$20,000
4. C.M.P. Secretariate - \$86,600
5. Maritime Resources Management Services - \$32,900
6. Maritime Resources Management Services Inc. Provincial Projects - \$50,000

The largest expenditure of \$372,400 for the land registration and information services is P.E.I.'s share of the \$2,500,000 spent by this branch which is located in Summerside, P.E.I., and employs a staff of 58 people.

LEGISLATIVE ASSEMBLY - \$2,222,000

This section did not fill out a program review questionnaire.

EXECUTIVE COUNCIL - \$1,729,000

Includes the Premier's office, the executive council office, the policy board office, planning and research fund and the constitutional review and the native council.

In effect, all of these activities are the basic hub of decision making and documenting of decisions for the government of the province. The composition of expenditures is primarily salary with related administration and travelling expenses and a planning and research fund of \$130,000, which is used for consultant's fees for special projects.

GENERAL GOVERNMENT - \$10,297,400

This section includes the employer share of employee benefits of \$8,154,300, which is discussed on page 27 of this report.

Grants for relief of Property Tax - \$600,000

There is a total of 270 grants in lieu of taxes for rinks and community halls, The Confederation Centre, Queen Parkade, The Mill River Resort, U.P.E.I., Holland College, etc.

Race Track Grants - \$665,000

Grants to the Charlottetown Driving Park in the amount of \$525,000 and the Prince County Horsemen's Association, which operates the Summerside Racetrack, \$140,000. These grants are based on the amount of wagering at the tracks. The tracks are allowed to retain a major portion of the wagering ticket tax.

Miscellaneous Grants - \$511,900

Canadian Red Cross Water Safety grant - \$161,800; Agriculture Exhibition Grants - \$134,501; festival grants - \$14,010; provincial organizations such as the Voluntary Resource Council, Senior Citizens' Association, etc. - \$58,525; and national organizations such as the Atlantic Provinces Transportation Commission, the Atlantic Research Centre for mental retardation - \$84,554.

New grants approved in 1986/87 amounted to \$13,050 with the major one being Pownal Sports Centre for \$8,500.

Balance of expenditures - \$366,200

Trade Negotiations Secretariate in the amount of \$100,000; the Advisory Council on the Status of Women - \$57,500; professional services - \$70,000, which is an estimate of special professional fees including the funds necessary to conduct the work of this commission; and labor relations in the amount of \$12,500, which are miscellaneous expenditures including travel and other expenses.

DEBT CHARGES - \$69,753,600

Debt charges is the largest single individual expenditure of government. It is also the largest single overhead item of government. As Appendix G shows, the net debt charges are increasing as a percent of total government expenditures.

DEPARTMENT OF EDUCATION - \$116,339,700

The overall education budget of the province increased 4.86% in 1985/86 over the previous year and the budget amount for 1986/87 increased 9.11%. In the 1986/87 budget, \$2,025,000 is the operating costs of the veterinary college; however, even excluding this increase, the annual increase in the 1986/87 budget is 7.74%. The cost of living increase for the year 1986 was 4%. The budgeted increase of \$9,741,200 is \$5,477,260 above cost of living adjustments.

The general education expenses increased by 16.8%, elementary and secondary expenses by 6.7%, non-instructional wages increased by 7.1% after an increase in the previous year of 11.9% when the cost of living increase was only 4.1%.

The above information indicates that the educational system of the province is obtaining a greater share of the provincial finances than it has in the past. If the trend continues, it most likely would mean that future generations of students will have to bear sacrifices while budgets are balanced and debts now incurred are paid.

The contractual arrangement of teachers would seem to give a certain amount of control of salaries to the individual teachers rather than the administration of the school system. However, it is noted that the teachers' salaries in 1985/86 were only 4.1% above the previous year. In 1986/87 they are budgeted to be 6.90% above the previous year. That is 2.90% above the cost of living increase for 1986.

While this expenditure is only 6% to 7% of the total expenditure, it is disturbing to see the rate of increases in general education administration costs during 1985 and 1986.. Management of the education system should be leading the way in controlling costs. A 16.8% annual increase, applied to the total 1985/86 budget, would amount to \$19,544,952.

This department has suggested the implementation of user fees to control costs as well as raise some revenue. It is obvious that certain programs appear to be less costly to the user than other programs are.

It is also suggested that the licensing of teachers should be on a 100% cost recovery basis.

HOSPITAL AND HEALTH SERVICES COMMISSION - \$88,970,800

This department, which is a combination of the Hospital Service Commission and the Health Service Commission, provides the majority of funding for the operation of the province's hospitals, the P.E.I. School of Nursing, the Ambulance and Red Cross programs, out-of-province hospital referrals, in-province physicians' fees and out-of-province physician fees as well as \$5,500,000 for hospital debt retirement.

HOSPITAL SERVICES COMMISSION

EXPENDITURES

	1984-85 Actual \$	1985-86 Actual \$	1986-87 Budget \$
Administration	745,109	815,551	775,100
Ambulance Program	700,263	726,873	742,600
Red Cross Program	718,998	834,370	884,000
Hospital Capital Repairs	103,715	129,055	124,800
Hospital Debt Retirement	5,422,077	5,507,014	5,500,000
Out-of-Province Referrals	7,405,974	7,839,731	8,478,000
P.E.I. School of Nursing	1,197,682	1,257,146	1,366,800
Hospitals	44,895,889	47,641,247	49,788,300
Souris Hospital	<u>113,000</u>	<u>-</u>	<u>-</u>
TOTAL	<u>61,302,707</u>	<u>64,750,987</u>	<u>67,659,600</u>

Hospital costs have increased by 5.62% in 1985-86 and are projected to increase by 4.5% in 1986-87.

HEALTH SERVICES COMMISSION

EXPENDITURES

	1984-85 Actual \$	1985-86 Actual \$	1986-87 Budget \$
Administration	910,689	996,784	945,700
In-Province Physician's Fees	16,332,518	18,001,246	18,888,500
Out-of-Province Physician's Fees	<u>1,356,709</u>	<u>1,630,425</u>	<u>1,477,000</u>
	<u>18,599,916</u>	<u>20,628,455</u>	<u>21,311,200</u>

The largest item of expenditure in the Health Services Commission and one that is increasing faster than other expenditures in this area is the cost of in-province and out-of-province physician fees.

The 1985/86 actual health service costs increased by 10.9% over the 1984/85 actual results and in 1986/87 they are projected to be 3.3% higher. The 10.9% is 6.8%, or \$1,402,700, over the C.P.I. increase for 1985.

As pointed out earlier, unless some manner of controlling the amount of resources that certain expenditure activities drain from the province's finances is developed, it will be impossible to continue without substantial tax increases or deficits.

ADDICTION SERVICES - \$2,924,200

This service, which comes under the department of Health and Social Services, operates detoxification centres in Queens County, Prince County and Kings County, as well as rehabilitation facilities in Queens County, and some in Prince County. They break their rehabilitation down into short and long-term care and conduct follow-up, family information, children of alcoholics, after care, impaired driver programs and residential halfway homes.

It would appear that the statistical information is available to determine the effectiveness of the programs carried out and determine whether or not management is carrying on efficient operations.

The information provided would indicate that the detoxification centre in Kings County is very expensive to operate based on the number of resident days of care that it is being utilized for. The cost per day for Kings County is \$137.69 compared to \$90.13 for Prince County, and \$63.08 for Queens County. Queens County is lower because of the mix of rehabilitation days which require less nursing assistance than detoxification days.

HEALTH AND SOCIAL SERVICES - \$71,624,800

This department identifies 31 different programs. It includes a pharmacy division, an oncology division, a dental division, a mental health division, nursing division, home-care and support division, community rehabilitation services, a job creation and placement division, child and family services, the aging and extended care division. The two largest expenditure areas are the child and family services, which spends \$30,000,977, and the aging and extended care division, which spends \$25,828,800.

A comprehensive audit of this department was conducted by the Auditor General and his report was dated January, 1985. His report to the Legislature for the 1986 and 1987 has commented on follow-up to that comprehensive audit.

This Commission has reviewed the comprehensive audit report and the comments on the follow-up to that report. The recommendations have not been fully implemented or alternatives adopted.

One area identified by the comprehensive audit report that has not been commented on since is the operation of extended care facilities by the province. The report recommended that the department conduct a study to determine what causes the differences in per diem rates between the private and provincial nursing homes, and whether they are cost justified.

The comprehensive audit report was in January 1985, and when the question was asked again in late 1986, no complete answer was forthcoming.

The program review questionnaires of this Commission also revealed this problem. According to the information provided, the cost of extended care to the province for the government facilities involved amounted to approximately

\$2,000,000 more than the average per diem costs for the same number of days of care at two of the private facilities which have the highest private per diem rates in the province.

According to the department, welfare assistance is costing \$489.00 per case per month. The early childhood development program is costing \$807.74 per child per annum. The job creation program is costing \$2,428.00 per job. The mental retardation program is costing \$15,100 per residential adult and \$50,000 per residential child. However, only \$3,000 is spent for residential family support per child. The home care support program is costing \$30.80 per visit, and the dental care program is costing \$92.00 per child.

It is noted that the vital statistics department is proposing increases in its fees in 1987/88 which will, in effect, almost double their fees. However, it is noted that most other provinces of Canada apparently increased their fees much sooner than Prince Edward Island, and that most likely by the time the proposed fees are implemented, they will once again be at the lower end of the scale of similar fees in other provinces.

THE DEPARTMENT OF AGRICULTURE - \$23,193,900

This department is projected to spend \$23,193,900 in 1986/87. The departmental normal budget is \$12,829,000 and \$9,364,000 is for the potato diversion program.

The federal government contributed \$8,234,200 to the 1986/87 budgeted programs, \$6,000,000 of this is for the potato diversion program, leaving \$2,234,200 to apply to the balance of the \$13,000,000 of expenditures in this department's budget.

The department is divided into a number of branches. A summary of branches is as follows:

<u>Branch</u>	<u># of Programs</u>	<u>Branch Budget</u>
Marketing	19	12,089,180
Plant industry	13	2,128,163
Animal industry	10	2,159,213
Extension	94	6,662,000
Information services	<u>6</u>	<u>210,110</u>
	<u>116</u>	<u>23,193,900</u>

This department is involved in a number of different activities as the number of programs it carries on indicates.

The department utilizes user fees in 14 different programs and on the basis of the departmental costs, the recoveries range from a high of 62% to a low of 3%. A number of the programs indicate a 50% cost-sharing. It is also noted that the department is suggesting the implementation of user fees for additional programs which cost \$1,349,722.

The marketing section spends \$2,725,180 on 19 programs when the potato diversion program is deleted from their activities.

The plant industry section of the department spends \$2,128,163 on 13 programs. Of this budget, \$600,000 is for the Island limestone program incentive program, leaving \$1,528,000 to be spend on the remaining 12 programs. The branch has 37 staff working in potato extension services, 5 staff working in soil and water conservation, 3.5 staff working in weed and pest control and 10 staff working in soil and beef testing programs. One staff member works on the pesticide control act. The majority of the budgeted expenditures are for salaries of the 56.5 positions in the department. Nine of the this branches program's were requested by the public according to the department.

The animal industry branch has a budget of \$2,159,213 and delivers 10 programs, 5 of which are involved with the practice of veterinary medicine on Prince Edward Island and cost \$1,359,513. The veterinary programs are on a 50 - 50 cost sharing basis between the farmer and the government, except for the meat inspection program, which is 100% funded by the province and costs \$101,600, and the zone charges and vet replacement costs of \$379,500, which are 100% funded in order to enable producers, regardless of where they live, to receive the same billing as any other farmer.

This branch spends \$415,000 for dairy division services, gives a grant to the artificial breeders association of \$202,000 and provides grants and assistance to the P.E.I. Humane Society of \$82,700. As well, the branch participates in the quality swine services program and a swine inspection program which costs the province \$100,000.

The dairy services program would appear to stand out as a program in which no user fee is involved, yet the services are, in many cases, similar to many other programs of the department which have user fees or cost sharing.

The extension services branch has a budget of approximately \$6,000,000 and carries out 94 government programs. These programs range in size from \$1,625 for a correspondence course program to \$1,830,860 that is spent on the swine incentive program. This branch's services are delivered through the regional services centres. In reviewing the questionnaires, it would appear that substantial cost is incurred in delivering the services through the regional centres because of duplication of the expertise that is required at the various locations and the travelling required by individuals from one service centre to the other. There is no evaluation process or even criteria being utilized by the department to determine whether or not these expenditures should continue. Some of the programs seem pointed directly at very small groups or at activities which have questionable economic benefit.

Firm program criteria should be developed to enable staff and the public to be fully aware of the amount and level of assistance that is available. This would eliminate the obvious inconsistencies in the level of service being provided to various farming individuals and groups within the province.

Because of the lack of firm guidelines and criteria for the delivery of these extension programs, it is obvious that some people benefit substantially more than others from the programs. Those people who know how to access the programs and are persistent enough to insist on the full treatment, will withdraw from the program whatever benefits are available, while at the same time other people would be reluctant to demand such a level of service and,

therefore, their benefits would be substantially less. It is not suggested that this is deliberate on the part of the department staff, rather it is suggested that it is inevitable because of the structure of the programs.

The information section of the departments spend \$210,110 on publications, radio advertising, news service, production of the Quarter Post and the agricultural clipping service. Of these expenditures, \$95,800 is for the salaries.

Incentive for Hog Industry - Total \$4,087,200

The hog industry is an example of what happens within government regarding a program or project. Because of the enthusiasm for the project, every section of the department of agriculture has become involved as well as some other departments of government, and the 1986/87 estimates include 13 different items for the hog industry, totalling \$4,087,200. According to the questionnaire information, there are 470 hog producers, thus the programs cost the province an average of approximately \$8,700 per producer or \$22.00 per hog marketed.

This department has an immense array of programs and the treatment of the individual farmer varies substantially from program to program. For example, the ROP program costs \$478.00 for sheep farmers, \$555.00 for beef farmers, and \$1,355.00 for swine farmers. Even under one group of farmers, such as beef and milk producers, the level of assistance varies depending on the kind of program. The cow-calf program costs \$760.00 per farmer, udder health costs \$479.00 per farmer, and cattle importation costs \$1,393.00 for beef farmers and \$1,085.00 for dairy farmers.

Recommendations

It is recommended that program guidelines be developed for this department which would include a standardization of user payments and cost sharing by the beneficiary of the program.

It is further recommended that sun-set provisions and an evaluation procedure be developed to determine whether or not programs should be continued.

COMMUNITY AND CULTURAL AFFAIRS - \$11,721,900

This department carries on 68 programs. The department is divided into sections, and this year conducted an evaluation and review of all its programs. This department includes a number of examples of situations where the province is funding activities which could be funded by the property tax payers of the area that is the primary beneficiary of the activity. Items such as garbage disposal, sub-division development, water and sewage facilities and planning services basically benefit the area where the expenditures are made. The department could use legislation to accomplish more of its objectives, and the legislation needs to be carefully and thoughtfully planned well in advance of the problems developing.

The department also includes substantial activities where implementation of user fees would help control the costs involved in the activities. Some examples are: electrical inspection, Community Service Laboratory, property development inspection services, sub-division development, plumbing inspection, fish and wild life department, municipal planning, sport governing bodies, etc.

Environment and Technical Services - \$1,862,800

\$992,000 is spent on waste disposal, \$303,000 of which is for the Energy from Waste Disposal Plant in Parkdale, at the rate of \$10 per ton of disposal. The balance of the funds in this division are spent in administration and management of the water resource and marine environment and \$153,000 to run the Community Service Laboratory.

Building and Development - \$1,130,800

Expenditures are for the fire marshall's office, electrical inspections, derelict cars and dilapidated properties, property development inspection services, sub-division development, plumbing inspections, elevator inspections, firefighting assistance, highway advertising, etc.

Municipal Support - \$4,822,800

This includes the provincial equalization formula grants as well as grants to CADC, the Federation of Municipalities and the environmental service assistance plan costs of \$723,200. All of these expenditures are primarily for residents of municipal areas, including the funds necessary to equalize services in various municipalities, approximately \$3,300,000.

Fish and Wildlife - \$709,200

This includes the enforcement, licensing, Fisheries, Waterfowl Cooperative, watershed management, upland game, fur-bearers and fire-arm safety.

Planning Services - \$465,300

This department helps municipalities in planning.

Youth, Physical Fitness and Recreation - \$898,200

This group of expenditures includes expenditures for sport governing bodies in the amount of \$332,200.

Cultural Affairs - \$1,758,100

Of this amount, \$901,300 goes to the Fathers of Confederation Memorial, \$548,200 goes to the P.E.I. Museum and Heritage Foundation and \$151,300 goes to the P.E.I. Council of the Arts.

Included in this department's expenditures is \$46,200 for the Community Schools. This is an excellent example of what can be accomplished by individuals working themselves within their communities throughout the province, rather than expecting government to fund their activities.

Emergency Measures Office - \$125,100

APPENDIX H

PROVINCE OF PRINCE EDWARD ISLAND 22 YEAR HISTORY OF ALL FUNDS BUDGET POSITION

YEAR	CURRENT REVENUE \$ MIL.	% INC.	CURRENT EXPENDITURE \$ MIL.	% INC.	SURPLUS (DEFICIT)	NET DEBT	NET DEBT PER CAPITA
1965-66	30.4	13.8	28.4	10.0	2.0	49.7	
1966-67	35.7	17.4	40.0	40.8	(4.3)	61.4	
1967-68	43.5	21.8	44.1	10.2	(0.6)	66.4	
1968-69	49.8	14.5	48.9	10.9	0.9	71.8	
1969-70	58.9	18.3	57.9	18.4	1.1	75.6	
1970-71	77.3	31.2	72.2	24.7	5.1	74.3	
1971-72	88.3	14.2	85.4	18.3	2.9	74.4	
1972-73	104.1	17.9	97.3	13.9	6.8	74.2	
1973-74	130.5	25.4	122.0	25.4	8.5	71.4	
1974-75	151.2	15.9	148.6	21.8	2.6	74.3	
1975-76	176.9	17.0	180.4	21.4	(3.5)	86.0	778
1976-77	193.4	9.3	193.8	7.4	(0.3)	91.9	
1977-78	209.5	8.3	215.1	11.0	(5.6)	112.1	
1978-79	242.1	15.6	247.6	15.1	(5.4)	101.6	
1979-80	272.6	12.6	274.5	10.9	(1.8)	106.7	1,014
1980-81	304.7	11.8	311.8	13.6	(7.1)	121.3	
1981-82	351.1	15.2	344.8	10.5	6.3	118.7	
1982-83	373.9	6.3	389.9	13.1	(16.0)	145.7	1,185
1983-84	416.8	11.7	418.4	7.3	(1.6)	145.1	
1984-85	430.1	3.0	434.5	3.8	(4.4)	155.3	
1985-86	457.1	6.3	471.6	8.5	(14.5)	184.0	1,444
1986-87 *B	486.3	6.4	509.6	8.0	(23.3)	207.3	

* BUDGET CONSOLIDATED FUNDS ONLY

APPENDIX I

PENSION FUND MANAGEMENT

	1984 \$	1985 \$	1986 \$
CIVIL SERVICE FUND			
Beginning balance	34,892,920	42,362,119	51,036,921
Yield %	12.42	12.55	12.42
Yield \$	4,333,701	5,316,446	6,338,785
Net contributions	3,135,498	3,358,356	2,642,528
Median %	00.06%	27.30%	21.07%
Median \$ Yield	209,357	10,438,913	10,963,784
Median balance, end of year	38,237,775	52,035,044	65,641,356
Shortfall			<u>5,623,122</u>
TEACHERS' SUPERANNUATION			
Beginning balance	27,725,424	33,131,286	39,079,537
Yield %	12.43	12.50	12.47
Yield \$	3,446,270	4,147,411	4,873,218
Net contributions	1,959,592	1,800,840	1,305,392
Median %	00.06%	27.3%	21.07%
Median \$ Yield	166,352	8,149,423	8,386,203
Median balance, end of year	29,852,368	39,801,631	49,493,226
Shortfall			<u>4,235,079</u>
SINKING FUND			
Beginning balance	99,712,666	113,574,850	128,005,334
Yield %	11.58	11.61	11.64
Yield \$	11,546,726	13,186,040	14,899,821
Net contributions	2,315,458	1,244,444	4,952,345
Median %	00.06%	27.30%	21.07%
Median \$ Yield	598,276	28,017,007	27,788,770
Median balance, end of year	102,626,400	131,887,851	164,628,966
Shortfall			<u>16,771,466</u>

APPENDIX J

PRINCE EDWARD ISLAND EXPENDITURES

1986/87 BUDGET

	Total Expenditures \$	Federal Revenue \$.
Transportation & Public Works	41,384,500	19,000
Justice	11,355,300	789,000
Auditor Général	852,100	-
Civil Service Commission	777,700	-
Treasury Board	463,800	32,400
Council of Maritime Premiers	602,700	-
Legislative Assembly	2,222,000	-
Executive Council	1,729,000	50,000
General Government	10,297,400	-
Debt Charges	69,753,600	-
SUB-TOTAL	139,438,100	890,400
Education	116,339,700	1,616,800
Hospital & Health Services	88,970,800	-
Addiction Services	2,924,200	-
Health & Social Services	91,624,800	26,411,900
SUB-TOTAL	279,859,500	28,028,700
Agriculture	23,193,900	8,234,200
Community & Cultural Affairs	11,721,900	65,000
Tourism & Parks	6,823,000	662,200
Industry	9,823,500	4,790,200
Energy & Forestry	14,526,400	9,942,600
Fisheries	2,534,300	-
Labour	743,200	35,000
Finance	5,981,900	-
SUB-TOTAL	75,348,100	23,729,200
P.E.I. Development Agency	7,599,200	1,000,000
P.E.I. Energy Corporation	902,200	-
Land Development Corporation	560,800	-
P.E.I. Housing Corporation	2,779,100	-
P.E.I. Lending Authority	944,200	-
P.E.I. Crown Building Corp.	597,800	-
P.E.I. Grain Elevators	732,700	-
Land Use Commission	93,100	-
Georgetown Shipyards	764,000	-
SUB-TOTAL	14,973,100	1,000,000
TOTALS	509,618,800	53,648,300
EQUALIZATION AND ESTABLISHED PROGRAM FUNDING		189,968,000
BUDGETED FEDERAL REVENUES		243,616,300

DEPARTMENT OF TOURISM AND PARKS - \$6,823,000

The department has recently reorganized and prepared a position paper on future plans of the department. In the context of this review, it is interesting to note that there is no built-in step in the plans to evaluate the programs and their effectiveness and determine whether or not the program dollars being spent are achieving specific goals.

Marketing Section - \$2,348,686

Under the advertising and communications section, the department has suggested that the creation of more partnership opportunities for advertising with private sectors may be able to stretch the dollar impacts. As well, they promote the idea of private sector retail ad space in the visitor guides.

The Convention Bureau - \$142,129

The Bureau has been privatized for 1987.

Travel Influencer - \$131,147

This appears to work well; however, it is suggested that more care could be taken on determining what services should be available to the free-lance journalists thereby reducing the cost considerably.

The Tourist Development Section - \$1,693,000

\$923,500 of which is spent on visitor services, \$189,900 on visitor count surveys, \$179,100 on on-Island incentives and \$115,700 on market segment research. This section believes that computerization of their system would improve it.

Parks and Campgrounds Section - \$2,357,200

The total budget includes \$2,045,100 for full-time parks and \$312,100 for day-use parks. This section has instituted increases in the user fees in 1987/88 and scheduled a 4% per annum increase for the years 1988 to 1991. It is noted that the proposed schedule of 1987/88 golf membership rates are still 20% below comparable private course rates for 1986. The camping parks had 240,195 visitors in 1986 and the day parks totalled 185,796. The user fees of the parks contributes about 24% of the cost of the camping parks, and in the case of the Brookvale Park, approximately 30% of the costs.

Recommendations

1. An evaluation process should be developed for every program of this department.
2. Certain programs such as the new Convention Bureau grants should have sunset clauses.
3. The number of day parks should be examined to determine whether they are being utilized.
4. The campgrounds and golf courses should have user fees comparable with the services being offered by other campgrounds and golf courses.

DEPARTMENT OF INDUSTRY AND THE P.E.I. DEVELOPMENT AGENCY - \$17,422,700

Activities are classified as primarily promotion and include the following:

Industrial Development	7,330,807
Adult Education	4,735,000
Community Industrial Development	2,124,507
Marketing	1,830,800
Youth Employment and Apprenticeship	765,136
Planning and Research	<u>636,450</u>
	<u>\$ 17,422,700</u>

Recently a reorganization has been carried out to eliminate duplication between the department and the agency, to increase the opportunity for federal cost sharing, and to reduce administration costs.

This department and agency deliver a wide variety of programs, the majority of which result in payments or benefits going directly to individuals or corporations. There is no uniform degree of assistance applied to all programs. They vary from the community economic development program, costing \$40,000 per enterprise, and the power conversion program costing \$35,764 per firm, to the employment development program, which costs \$1,055 per job created, and tuition assistance for business management, which costs \$610.00 per client.

Recommendations

To determine whether or not program funds are accomplishing their objectives an evaluation process specifying the measurement techniques to be used should be developed as each program is developed. This would enable the evaluation of programs to be consistent and along approved guidelines.

DEPARTMENT OF ENERGY AND FORESTRY - \$14,526,400

A major portion of this budget was the electrical rate relief program of \$9,200,000 which has been cancelled.

The balance of the department's expenditures in the amount of \$5,386,400, include: three programs costing \$785,900 which have user fees or cost sharing; two programs costing \$340,300 which presently do not have any user fees although the department is suggesting they should have. The department is suggesting that one program costing \$198,700 should be turned over to the private sector.

Management costs of this department, mostly salaries, amount to \$1,885,000, which seems to be an excessive amount for the total dollars involved in this department.

DEPARTMENT OF FISHERIES - \$2,534,300

This department carries on 33 different programs. 16 Programs with costs of \$1,434,900 are cost sharing programs. The department is suggesting that programs costing \$369,900 should be discontinued.

Recommendation

The implementation of a consistent cost sharing policy, as well as a sunset clause and a more precise evaluation process would help this department reduce expenditures.

DEPARTMENT OF LABOUR - \$705,031

The activities of the Department of Labour are as follows:

Occupational Health and Safety	115,600
Boiler inspection	140,300
Labour Relations Board	92,731
Conciliation	42,400
Administration	28,600
Labour Standards Division	100,000
Women's Directorate	76,700
Labour Management Branch	71,900
Labour Management Relations Council	<u>37,500</u>
	<u>\$ 705,031</u>

Amongst these expenditures is boiler inspection - \$140,300, and conciliation fee expenses - \$42,200, which could be recovered by way of user fees.

The department is also suggesting that the Occupation Health and Safety Program should involve user fees.

DEPARTMENT OF FINANCE - \$6,926,100

The main expenditures of finance are:

Computer services of \$2,199,000 which is completely costed and could be charged to the departments and agencies utilizing the services.

Land Valuation and assessment of \$1,277,900 and revenue activities amounting to \$1,219,700. Both of these expenditures are primarily salaries and administrative costs of the land valuation and assessment branch, the collection and setting of taxes, the auditing of sales taxes returns and other provincial revenues. Included in this department is accounting services as well as purchasing and economic statistics and fiscal analysis.

Appendix I is a schedule to reflect the results of the pension and sinking fund management of the provincial government. As the schedule indicates, the median performance rate of return of a measured group of Canadian pension fund (\$73 billion) during the years 1984 to 1986 inclusive would have resulted in additional earnings of \$26,629,667 for the three provincial funds.

It would seem obvious that changes should be made in the investment management of the province's pension funds and possibly also the sinking funds. It is understood that the government has taken steps to select new management for the pension funds.

P.E.I. ENERGY CORPORATION - \$902,200

The P.E.I. Energy Corporation owns the waste burning plant in Parkdale and the wood burning unit at the old Prince Edward Island Hospital which supplies heat to the Provincial Building and other buildings in downtown Charlottetown. The corporation also is engaged in renewable energy initiatives and other energy related projects such as district heating.

Job Creation Program - \$200,200

The reason this program is carried on under the Energy Corporation is because the jobs are not tied to the province's collective agreement. The management of the program is carried out by the Department of Energy and Forestry on behalf of the Corporation.

THE LAND DEVELOPMENT CORPORATION - \$560,800

The Land Development Corporation was originally structured as a land bank operation to assist farmers wanting to leave the farming industry and assist new farmers wanting to enter the industry. In the first years of the operation it was funded by the Development Plan. During that period a substantial land bank and leasing arrangements were put in place.

The Provincial Auditor has made substantial recommendations regarding the operation of this corporation.

It would appear that the operations of this corporation have changed and it is questionable whether or not it needs to be operated as a separate entity any longer.

THE P.E.I. HOUSING CORPORATION - \$2,796,500

Eight programs are carried on by this corporation, the majority of which are property management. \$1,730,600 is spent on managing 1,289 residential units for senior citizens and a variety of the underprivileged and needy individuals throughout the province. These programs are cost shared with the federal government, with 567 of the units on a 50/50 basis and the balance of the units on a 75/25 federal/provincial basis.

In the property management section, administrative overhead costs are 12.6% of economic rents. This administration cost level substantially increases the province's share of costs and compares to private sector administration rates of 5% to 8%.

The capital construction program of the P.E.I. Housing Corporation costs \$182,400 which amounts to \$1,861 per unit (60 - 100 units are constructed each year). These costs are the overhead of the capital construction program and the question arises as to why these costs are not part of the capital costs of the units constructed each year.

Rentalsman's Office - \$69,600

Administering the Rent Review Act and the Landlord and Tenant Act costs \$69,600. During the year there were approximately 335 decisions made at a unit cost of \$208 per decision. Specific effects of cancellation of this program according to the department "is substantial public reaction to losing the protection of the rent review process and substantial additional transfers of monies from one segment of population, "tenants", to another, "landlords", when market conditions are tight."

These contentions are not backed up by any actual information.

Emergency Home Repairs for Seniors - \$217,000

This program provides grants covering 50% of emergency repairs costs up to a maximum of \$750 for qualified applicants of at least 60 years of age who own or have a long-term lease on their principal residence and have income equal to or less than \$10,000 for singles or \$14,000 for couples.

Provincial Contributions to Seniors - \$148,000

This program provides grants of up to \$750 to purchase construction material to be used in carrying out necessary repair work on the homes of low income senior citizens. Eligible applicants must be at least 60 years of age, own or have a long-term lease on their residence and have annual incomes of equal to or less than, for singles, \$10,000, for couples, \$14,000. Most of the labor component of the jobs is provided by community groups utilizing federal job creation funding.

Rural Mortgage Lending Support

The Corporation spent \$7,800 to organize funding over \$7,000,000 of funding for a rural residential mortgage lending support program, administered by the Credit Union League to provide mortgages for home construction in rural areas.

Hillsborough Development - \$251,600

This is primarily the carrying cost on the \$1,300,000 invested in 184 fully serviced building lots and an amount of undeveloped land. The total acreage of developed and undeveloped land is approximately 180 acres. The province is attempting to market the lots through real estate agents and the undeveloped land on its own. This program was started in the early 1970's as a multi-faceted sub-division development. The demand for lots has never reached expectations while at the same time large areas of nearby undeveloped land have been developed and sold.

THE P.E.I. LENDING AUTHORITY - \$973,200

Costs include salaries and administrative costs of \$819,200 and a provision for future losses of \$125,000. The Lending Authority lends funds to the agriculture, fisheries, tourism and small business sections of the P.E.I. economy. At the end of 1986, the Authority had \$31,866,002 in loans outstanding. The Authority charges interest at 0.75% or 1% above the cost of borrowing funds and this margin is not sufficient to cover its operating costs.

It is noted that the Agency only carries on lending activities and, therefore, the other financial activities of their clients is carried on by the chartered banks and trust companies and credit unions, with the result that the Agency is possibly subsidizing these organizations by absorbing the costs of the lending activity and losing out on the income earning opportunities of the other financial activities of their clients.

The supplementary estimates for the 1985/86 year include additional funding for this agency of \$2,352,286. It was believed that this funding was necessary to provide a proper provision for doubtful or uncollectible accounts.

We should point out that the loss experience of the Agency has been excellent over the years which raises the question whether or not the Agency is operating as a lender of last resort in many instances?

Recommendation

Government should seriously consider whether or not the Lending Authority is duplicating the services available at the chartered banks and credit unions of the province, and whether or not premium interest rates should be established for loans in order to help reduce the cost and possible provide proper reserves against possible future losses.

THE CROWN BUILDING CORPORATION - \$597,800

These amounts are for the general manager of the vet college construction project as well as interim financing charges for that project.

THE P.E.I. GRAIN ELEVATORS - \$752,700

This corporation operates the grain elevators at New Perth, Kensington, and Ellerslie. Operations are supposed to be a self-financing; however, the province is responsible for any operating losses. The corporation operates a protein bonus program which the province funds at a cost of \$45,200. The budget estimates include projected revenue for this corporation for 1986/87 of \$674,600.

Recommendation

The operations of this corporation should be structured in a manner which would provide profits which could be accumulated as reserves against possible future losses.

The Land Use Commission and Georgetown Shipyards have not been dealt with by this Commission as both of these organizations have been under intense study and reorganization in recent months.

EXPENDITURE REVIEW COMMISSION
PROGRAM QUESTIONNAIRE

DEPARTMENT: _____ DATE: _____
DEPARTMENT SECTION: _____ ACCOUNT CODE: _____
PROGRAM NAME: _____

1. BRIEF DESCRIPTION OF PROGRAM?2. CLASSIFICATION?

- ☐ A. Direct - Payments direct to individual.
- ☐ B. Indirect - Payments to another party where individual beneficiary is fully aware of the direct cost of the service being provided to him.
- ☐ C. Services are provided without individual being aware of the cost.
-

3. PRIMARY REASON FOR PROGRAM?

- ☐ Prevention - short explanation.
- ☐ Promotion - short explanation.
-

4. DIRECT PURPOSE OF PROGRAM?

- ☐ Common Good - whole province or industry, etc? Detail.
- ☐ Community Good - local area - group of producers, etc? Detail.
-

5. HISTORY? (How did it get started, when did it get started?)

- ☐ Public Request? Detail.
- ☐ Departmental Initiative? Detail.
- ☐ Federal Initiative? Detail.
-

6. COST OF PROGRAM?

As much as possible we would like to know the unit cost of the program, i.e. cost per visit; cost per inspection; cost per test; cost per consultation; per student; per community; per mile, etc. (Costs of individual programs should equal the total Department expenditures. Therefore, overhead such as administration and rent must be apportioned to Departments).

Details:

UNIT COST _____ TOTAL COST _____

7. DELIVERY METHOD? (Details in narrative form or flow chart of the methodology of delivery)

8. DO YOU HAVE ANY SUGGESTIONS REGARDING?

A. Delivery

B. User Payments

C. Alternatives to present program

D. Federal programs available

E. Specific effects of cancellation of program

F. Other

9. LEGISLATIVE AUTHORITY? (Act and date of last revision)

PRINCE EDWARD ISLAND EXPENDITURES

APPENDIX B

1986/87 BUDGET

	CLASSIFICATION			TOTALS
	Direct \$	Indirect \$	Services \$	
Transportation & Public Works	-	-	33 41,384,500	41,384,500
Justice	1 37,100	1 72,600	32 11,245,600	11,355,300
Auditor General	-	2 852,100	-	852,100
Civil Service Commission	-	-	4 777,700	777,700
Treasury Board	-	-	2 463,800	463,800
Council of Maritime Premiers	-	1 50,000	5 552,700	602,700
Legislative Assembly	-	-	1 2,222,000	2,222,000
Executive Council	-	-	5 1,729,000	1,729,000
General Government	3 1,176,900	1 600,000	6 8,520,500	10,297,400
Debt Charges	-	-	1 69,753,600	69,753,600
SUB-TOTAL	4 1,214,000	5 1,574,700	89 136,649,400	139,438,100
Education	1 1,997,800	-	19 114,341,900	116,339,700
Hospital & Health Services	-	-	9 88,970,800	88,970,800
Addiction Services	-	-	6 2,924,200	2,924,200
Health & Social Services	2 26,142,000	1 605,000	28 44,877,800	71,624,800
SUB-TOTAL	3 28,139,800	1 605,000	62 251,114,700	279,859,500
Agriculture	25 14,263,458	26 1,757,140	65 7,173,302	23,193,900
Community & Cultural Affairs	7 526,100	-	61 11,195,800	11,721,900
Tourism & Parks	3 461,156	-	18 6,361,844	6,823,000
Industry	17 2,052,148	7 708,046	9 7,063,306	9,823,500
Energy & Forestry	5 1,196,100	1 9,721,000	13 3,609,300	14,526,400
Fisheries	13 1,374,600	5 405,500	11 754,200	2,534,300
Labour	-	1 37,500	8 705,700	743,200
Finance	-	-	12 5,981,900	5,981,900
SUB-TOTAL	70 19,873,562	40 12,629,186	197 42,845,352	75,348,100
P.E.I. Development Agency	16 5,611,660	1 979,100	4 1,008,440	7,599,200
P.E.I. Energy Corporation	2 592,000	-	2 310,200	902,200
Land Development Corporation	3 184,165	2 135,042	5 241,593	560,800
P.E.I. Housing Corporation	2 406,500	2 155,800	4 2,216,800	2,779,100
P.E.I. Lending Authority	-	-	1 944,200	944,200
P.E.I. Crown Building Corp.	-	-	1 597,800	597,800
P.E.I. Grain Elevators	1 732,700	-	-	732,700
Land Use Commission	-	-	1 93,100	93,100
Georgetown Shipyards	-	-	1 764,000	764,000
SUB-TOTAL	24 7,527,025	5 1,269,942	19 6,176,133	14,973,100
TOTALS	101 56,754,387	51 16,078,828	367 436,785,585	509,618,800

APPENDIX C

PRINCE EDWARD ISLAND EXPENDITURES

1986/87 BUDGET

	REASON		TOTALS
	Prevention	Promotion	
	\$	\$	\$
Transportation & Public Works	22 38,220,078	11 3,164,422	41,384,500
Justice	28 10,755,100	6 600,200	11,355,300
Auditor General	1 462,100	1 390,000	852,100
Civil Service Commission	2 295,500	2 482,200	777,700
Treasury Board	1 443,800	1 20,000	463,800
Council of Maritime Premiers	-	6 602,700	602,700
Legislative Assembly	-	1 2,222,000	2,222,000
Executive Council	-	5 1,729,000	1,729,000
General Government	3 8,236,800	7 2,060,600	10,297,400
Debt Charges	1 69,753,600	-	69,753,600
SUB-TOTAL	58 128,166,978	40 11,271,122	139,438,100
Education	7 8,126,800	13 108,212,900	116,339,700
Hospital & Health Services	8 87,604,000	1 1,366,800	88,970,800
Addiction Services	6 2,924,200	-	2,924,200
Health & Social Services	28 70,327,100	3 1,297,700	71,624,800
SUB-TOTAL	49 168,982,100	17 110,877,400	279,859,500
Agriculture	38 17,212,177	78 5,981,723	23,193,900
Community & Cultural Affairs	19 2,450,600	49 9,271,300	11,721,900
Tourism & Parks	-	21 6,823,000	6,823,000
Industry	1 28,319	32 9,795,181	9,823,500
Energy & Forestry	3 523,100	16 14,003,300	14,526,400
Fisheries	6 579,100	23 1,955,200	2,534,300
Labour	7 633,800	2 109,400	743,200
Finance	5 2,271,900	7 3,710,000	5,981,900
SUB-TOTAL	79 23,698,996	228 51,649,104	75,348,100
P.E.I. Development Agency	-	21 7,599,200	7,599,200
P.E.I. Energy Corporation	1 35,300	3 866,900	902,200
Land Development Corporation	1 602	9 560,198	560,800
P.E.I. Housing Corporation	-	8 2,779,100	2,779,100
P.E.I. Lending Authority	-	1 944,200	944,200
P.E.I. Crown Building Corp.	-	1 597,800	597,800
P.E.I. Grain Elevators	-	1 732,700	732,700
Land Use Commission	1 93,100	-	93,100
Georgetown Shipyards	1 764,000	-	764,000
SUB-TOTAL	4 893,002	44 14,080,098	14,973,100
TOTALS	190 321,741,076	329 187,877,724	509,618,800

APPENDIX D

PRINCE EDWARD ISLAND EXPENDITURES

1986/87 BUDGET

	PURPOSE		Number of Programs	TOTALS \$
	Common \$	Community \$		
Transportation & Public Works	31 40,857,200	2 527,300	33	41,384,500
Justice	34 11,355,300	-	34	11,355,300
Auditor General	2 852,100	-	2	852,100
Civil Service Commission	4 777,700	-	4	777,700
Treasury Board	2 463,800	-	2	463,800
Council of Maritime Premiers	2 413,200	4 189,500	6	602,700
Legislative Assembly	1 2,222,000	-	1	2,222,000
Executive Council	5 1,729,000	-	5	1,729,000
General Government	3 296,200	7 10,001,200	10	10,297,400
Debt Charges	1 69,753,600	-	1	69,753,600
SUB-TOTAL	85 128,720,100	13 10,718,000	98	139,438,100
Education	19 112,561,500	1 3,778,200	20	116,339,700
Hospital & Health Services	9 88,970,800	-	9	88,970,800
Addiction Services	5 2,789,950	1 134,250	6	2,924,200
Health & Social Services	22 67,032,100	9 4,592,700	31	71,624,800
SUB-TOTAL	55 271,354,350	11 8,505,150	66	279,859,500
Agriculture	76 20,571,705	40 2,622,195	116	23,193,900
Community & Cultural Affairs	47 5,851,000	21 5,870,900	68	11,721,900
Tourism & Parks	17 5,749,649	4 1,073,351	21	6,823,000
Industry	22 8,051,778	11 1,771,722	33	9,823,500
Energy & Forestry	6 11,200,700	13 3,325,700	19	14,526,400
Fisheries	15 1,210,800	14 1,323,500	29	2,534,300
Labour	8 666,500	1 76,700	9	743,200
Finance	11 4,672,100	1 1,309,800	12	5,981,900
SUB-TOTAL	202 57,974,232	105 17,373,868	307	75,348,100
P.E.I. Development Agency	-	21 7,599,200	21	7,599,200
P.E.I. Energy Corporation	1 35,300	3 866,900	4	902,200
Land Development Corporation	1 602	9 560,198	10	560,800
P.E.I. Housing Corporation	-	8 2,779,100	8	2,779,100
P.E.I. Lending Authority	-	1 944,200	1	944,200
P.E.I. Crown Building Corp.	-	1 597,800	1	597,800
P.E.I. Grain Elevators	-	1 732,700	1	732,700
Land Use Commission	1 93,100	-	1	93,100
Georgetown Shipyards	1 764,000	-	1	764,000
SUB-TOTAL	4 893,002	44 14,080,098	48	14,973,100
TOTAL	346 458,941,684	173 50,677,116	519	509,618,800

APPENDIX E

PRINCE EDWARD ISLAND EXPENDITURES

1986/87 BUDGET

	HISTORY				Totals \$
	Public \$	Departmental \$	Federal \$		
Transportation & Public Works	2 416,322	31 40,968,178	-		41,384,500
Justice	2 376,700	20 8,009,800	12 2,968,800		11,355,300
Auditor General	2 852,100	-	-		852,100
Civil Service Commission	-	4 777,700	-		777,700
Treasury Board	1 20,000	1 443,800	-		463,800
Council of Maritime Premiers	-	6 602,700	-		602,700
Legislative Assembly	-	1 2,222,000	-		2,222,000
Executive Council	-	5 1,729,000	-		1,729,000
General Government	2 569,400	8 9,728,000	-		10,297,400
Debt Charges	-	1 69,753,600	-		69,753,600
SUB-TOTAL	9 2,234,522	77 134,234,778	12 2,968,800		139,438,100
Education	7 4,561,800	12 110,236,200	1 1,541,700		116,339,700
Hospital & Health Services	3 7,126,600	2 1,491,600	4 80,352,600		88,970,800
Addiction Services	3 2,056,070	3 868,130	-		2,924,200
Health & Social Services	10 18,059,600	20 53,300,700	1 264,500		71,624,800
SUB-TOTAL	23 31,804,070	37 165,896,630	6 82,158,800		279,859,500
Agriculture	60 16,572,296	52 6,273,404	4 348,200		23,193,900
Community & Cultural Affairs	32 4,771,800	31 6,578,300	5 371,800		11,721,900
Tourism & Parks	8 4,130,773	13 2,692,227	-		6,823,000
Industry	7 2,133,343	24 2,527,074	2 5,163,083		9,823,500
Energy & Forestry	8 2,395,900	10 11,852,200	1 278,300		14,526,400
Fisheries	11 1,047,500	18 1,486,800	-		2,534,300
Labour	5 388,800	4 354,400	-		743,200
Finance	2 2,165,400	10 3,816,500	-		5,981,900
SUB-TOTAL	133 33,605,812	162 35,580,905	12 6,161,383		75,348,100
P.E.I. Development Agency	-	21 7,599,200	-		7,599,200
P.E.I. Energy Corporation	1 398,600	3 503,600	-		902,200
Land Development Corporation	1 12,820	9 547,980	-		560,800
P.E.I. Housing Corporation	5 2,512,200	2 77,400	1 189,500		2,779,100
P.E.I. Lending Authority	1 944,200	-	-		944,200
P.E.I. Crown Building Corp.	-	1 597,800	-		597,800
P.E.I. Grain Elevators	1 732,700	-	-		732,700
Land Use Commission	-	1 93,100	-		93,100
Georgetown Shipyards	-	1 764,000	-		764,000
SUB-TOTALS	9 4,600,520	38 10,183,080	1 189,500		14,973,100
TOTALS	174 72,244,924	314 345,895,393	31 91,478,483		509,618,800

APPENDIX F

SUMMARY OF EXPENDITURE BY OBJECT

	<u>1980/81</u>		<u>1985/86</u>		<u>1986/87</u>	
	\$	z	\$	z	\$	z
SALARIES/FEES						
Provincial departments	61.8		92.9		100.9	
Schools	41.9		58.9		63.0	
Post-secondary	11.0		15.5		18.5	
Doctors	10.3		17.9		19.7	
Hospitals	17.5		37.4		41.1	
Ambulance operators	0.4		0.7		0.7	
Veterinarians	0.7		0.9		0.9	
Dental association	0.5		0.5		0.9	
	<u>144.1</u>	<u>46.2</u>	<u>224.7</u>	<u>47.9</u>	<u>245.7</u>	<u>48.2</u>
Administration	4.2	1.3	6.9	1.4	6.4	1.3
Equipment	3.1	1.0	1.1	0.3	1.2	0.2
Materials and supplies	19.4	6.2	28.0	5.4	25.8	5.4
Professional services	9.0	2.9	16.2	3.4	15.8	3.8
Travel	3.1	1.0	4.2	0.9	4.3	0.8
Debt charges	34.4	11.0	79.3	13.2	61.9	15.5
Welfare grants	20.1	6.4	30.1	6.0	28.1	5.6
Other grants*	74.4	24.0	98.1	21.5	101.4	19.2
	<u>167.7</u>	<u>53.8</u>	<u>263.9</u>	<u>52.1</u>	<u>244.9</u>	<u>51.8</u>
	<u>311.8</u>	<u>100.0</u>	<u>488.6</u>	<u>100.0</u>	<u>490.6</u>	<u>100.0</u>

APPENDIX G

TREND IN DEBT CHARGE EXPENDITURE

F.Y.	Debt Charges	Investment Income	Net Charges	% of Total Expenditure
1975-76	14.8 mil	3.1 mil	11.7 mil	4.26
1980-81	34.4 mil	15.0 mil	19.4 mil	6.22
1981-82	43.8 mil	18.3 mil	25.5 mil	7.39
1982-83	51.0 mil	22.1 mil	28.9 mil	7.41
1983-84	55.1 mil	21.5 mil	33.6 mil	8.03
1984-85	60.4 mil	24.6 mil	35.8 mil	8.23
1985-86	61.9 mil	23.6 mil	38.3 mil	8.12
1986-87	67.5 mil	24.6 mil	42.9 mil	8.41

22 YEAR HISTORY OF ALL FUNDS BUDGET POSITION

APPENDIX H

YEAR	CURRENT REVENUE \$ MIL.	% INC.	CURRENT EXPENDITURE \$ MIL.	% INC.	SURPLUS (DEFICIT)	NET DEBT	NET DEBT PER CAPITA
1965-66	30.4	13.8	28.4	10.0	2.0	49.7	
1966-67	35.7	17.4	40.0	40.8	(4.3)	61.4	
1967-68	43.5	21.8	44.1	10.2	(0.6)	66.4	
1968-69	49.8	14.5	48.9	10.9	0.9	71.8	
1969-70	58.9	18.3	57.9	18.4	1.1	75.6	
1970-71	77.3	31.2	72.2	24.7	5.1	74.3	
1971-72	88.3	14.2	85.4	18.3	2.9	74.4	
1972-73	104.1	17.9	97.3	13.9	6.8	74.2	
1973-74	130.5	25.4	122.0	25.4	8.5	71.4	
1974-75	151.2	15.9	148.6	21.8	2.6	74.3	
1975-76	176.9	17.0	180.4	21.4	(3.5)	86.0	778
1976-77	193.4	9.3	193.8	7.4	(0.3)	91.9	
1977-78	209.5	8.3	215.1	11.0	(5.6)	112.1	
1978-79	242.1	15.6	247.6	15.1	(5.4)	101.6	
1979-80	272.6	12.6	274.5	10.9	(1.8)	106.7	1,014
1980-81	304.7	11.8	311.8	13.6	(7.1)	121.3	
1981-82	351.1	15.2	344.8	10.5	6.3	118.7	
1982-83	373.9	6.3	389.9	13.1	(16.0)	145.7	1,185
1983-84	416.8	11.7	418.4	7.3	(1.6)	145.1	
1984-85	430.1	3.0	434.5	3.8	(4.4)	155.3	
1985-86	457.1	6.3	471.6	8.5	(14.5)	184.0	1,464
1986-87 *B	486.3	6.4	509.6	8.0	(23.3)	207.3	

* BUDGET CONSOLIDATED FUNDS ONLY

APPENDIX I

PENSION FUND MANAGEMENT

	1984 \$	1985 \$	1986 \$
CIVIL SERVICE FUND			
Beginning balance	34,892,920	42,362,119	51,036,921
Yield %	12.42	12.55	12.42
Yield \$	4,333,701	5,316,446	6,338,785
Net contributions	3,135,498	3,358,356	2,642,528
Median %	00.06%	27.30%	21.07%
Median \$ Yield	209,357	10,438,913	10,963,784
Median balance, end of year	38,237,775	52,035,044	65,641,356
Shortfall			<u>5,623,122</u>
TEACHERS' SUPERANNUATION			
Beginning balance	27,725,424	33,131,286	39,079,537
Yield %	12.43	12.50	12.47
Yield \$	3,446,270	4,147,411	4,873,218
Net contributions	1,959,592	1,800,840	1,305,392
Median %	00.06%	27.3%	21.07%
Median \$ Yield	166,352	8,149,423	8,386,203
Median balance, end of year	29,852,368	39,801,631	49,493,226
Shortfall			<u>4,235,079</u>
SINKING FUND			
Beginning balance	99,712,666	113,574,850	128,005,334
Yield %	11.58	11.61	11.64
Yield \$	11,546,726	13,186,040	14,899,821
Net contributions	2,315,458	1,244,444	4,952,345
Median %	00.06%	27.30%	21.07%
Median \$ Yield	598,276	28,017,007	27,788,770
Median balance, end of year	102,626,400	131,887,851	164,628,966
Shortfall			<u>16,771,466</u>

APPENDIX J

PRINCE EDWARD ISLAND EXPENDITURES

1986/87 BUDGET

	Total Expenditures \$	Federal Revenue \$
Transportation & Public Works	41,384,500	19,000
Justice	11,355,300	789,000
Auditor General	852,100	-
Civil Service Commission	777,700	-
Treasury Board	463,800	32,400
Council of Maritime Premiers	602,700	-
Legislative Assembly	2,222,000	-
Executive Council	1,729,000	50,000
General Government	10,297,400	-
Debt Charges	69,753,600	-
SUB-TOTAL	139,438,100	890,400
Education	116,339,700	1,616,800
Hospital & Health Services	88,970,800	-
Addiction Services	2,924,200	-
Health & Social Services	91,624,800	26,411,900
SUB-TOTAL	279,859,500	28,028,700
Agriculture	23,193,900	8,234,200
Community & Cultural Affairs	11,721,900	65,000
Tourism & Parks	6,823,000	662,200
Industry	9,823,500	4,790,200
Energy & Forestry	14,526,400	9,942,600
Fisheries	2,534,300	-
Labour	743,200	35,000
Finance	5,981,900	-
SUB-TOTAL	75,348,100	23,729,200
P.E.I. Development Agency	7,599,200	1,000,000
P.E.I. Energy Corporation	902,200	-
Land Development Corporation	360,800	-
P.E.I. Housing Corporation	2,779,100	-
P.E.I. Landing Authority	944,200	-
P.E.I. Crown Building Corp.	597,800	-
P.E.I. Grain Elevators	732,700	-
Land Use Commission	93,100	-
Georgetown Shipyards	764,000	-
SUB-TOTAL	14,973,100	1,000,000
TOTALS	509,618,800	53,648,300
EQUALIZATION AND ESTABLISHED PROGRAM FUNDING		189,968,000
BUDGETED FEDERAL REVENUES		243,616,300